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THE CLIENT-CONSULTANT RELATIONSHIP - OPTIMIZING
TO MEET THE NEEDS OF CORPORATE MANAGEMENT,
WITH PARTICULAR REFERENCE TO THE
INDUSTRIAL MARKETING RESEARCH FUNCTION.

by



John Robert WOOD

A THESIS

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FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "The Client-Consultant Relationship - Optimizing to Meet the Needs of Corporate Management, with particular reference to the Industrial Marketing Research Function"

submitted by John Robert WOOD

in partial fulfillment of the requirements for the degree of Master of Business Administration.

ABSTRACT

The central theme of this thesis is that of determining the situations in which it is appropriate for the firm to call in an industrial marketing consultant. The specific objective is to prescribe a four-step process for developing client-consultant relationships.

Industrial products and markets have characteristics which distinguish them from those of the consumer field. Industrial marketing techniques take account of these characteristics, but also recognize the importance of the marketing concept and the systems approach for the formulation of a meaningful corporate strategy.

The demand for advice depends on the ability of the internal marketing information system to supply the information which accompanies the industrial marketing process. The strategist's intrinsic advice demands have been classified into several levels of detail. However, demand for advice sometimes has extrinsic origins such as a prestige factor, arbitration, or to provide credibility.

The supply of internal information is subject to the limitations of disappearance, delay, and distortion. Decision success is dependent on more than meaningful information however; it includes factors such as compatibility with existing operating procedures and the problem solver's influence on decisions.

The call for advice is usually in the form of project information, and normally involves the application of industrial marketing research techniques, which require a high degree of expertise. Internal advice supply is influenced by the location of the supply function within the organization.

The external industrial marketing consultant, to be effective, must have a systems approach and marketing concept orientation as well as being able to determine precisely how the project information is integrated with the strategic planning process and corporate strategy. The complexity of the above demands would tend to suggest that only an internal expert could be expected to meet them.

However, other factors such as the need for objectivity, an independent view or confidentiality, and of course, the lack of internal expertise may dictate that an outside consultant be employed.

In summary, provided that the prescribed model for the development of client-consultant relationships is followed, the conditions which favour the use of the external management consultant as opposed to any internal source, are that there is a lack of internal expertise to carry out the required project; the internal organization cannot meet criteria of accuracy or confidentiality; the project information is intrinsically required to be unbiased, objective, and have a high fresh thinking content.

A model for developing client-consultant relationships has been prescribed which maximizes the chances of success and minimizes the difficulties involved.

ACKNOWLEDGEMENT

Although writers think they suffer themselves in preparing a publication, none are so deprived as their families and friends. Therefore, my thanks go first to those closest to me, especially my dear wife Machteld, for tolerating for so long my preoccupation with the thesis, and for accepting my acute withdrawal symptoms as a necessary precondition of writing and preparing this thesis for publication.

My thanks go also to Dr. M. James Dunn for his help and encouragement in the task of completing this project, and to Dr. Girard Pessis and Dr. Peter Adams for agreeing to comprise my advisory committee, and for their help.

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Throughout this thesis, the client and consultant are referred to by the pronoun "he". This has been done solely for editorial expedience, to avoid repeating endlessly the awkward double pronoun "he-or-she".

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CHAPTER I

INTRODUCTION

PROBLEM DEFINITION

This thesis is concerned with problems which arise in the development of client-consultant relationships in industrial marketing, particularly at the corporate strategic decision making level.

The central problem is that of determining the situations in which it is appropriate for the firm to use an external consultant. Flowing from this are sub-problems of equal importance, on how the industrial marketing decision maker should select, work with, and evaluate the consultant in order to obtain the maximum benefit.

THESIS OBJECTIVE

The purpose of this thesis is to prescribe a framework to be used by the industrial marketer in developing client-consultant relationships in the field of industrial marketing research.

The specific aim is to develop a framework or model:

- (a) for the proper identification of project information problems;
- (b) of principles to be used in deciding whether an external consultant should be engaged to

- supply that project information;
- (c) for consultant selection procedures;
- (d) showing how to deal with consultants during the project; and
- (e) for post-project evaluation.

APPROACH EMPLOYED

This thesis is based on the analysis of the client-consultant relationship in both theoretical and practical terms. Initially, published material on the various facets of the problem is surveyed in an attempt to identify the critical issues involved in the success of client-consultant relationships. Further insight to the problem is then obtained by the introduction of the author's practical experience on the matter.

Finally, the author is able to prescribe a model to be used in developing the client-consultant relationship in order to maximize the chances of its success.

STRUCTURE OF THE THESIS

To place the problems of client-consultant relationships in perspective, Chapter II will describe the problems involved in some detail.

In Chapter III, the field of industrial marketing is studied to demonstrate the environment in which the

consultant must work. This is followed by an identification of the specific advice demands of the industrial marketing strategist.

Chapter V shows how the information and advice demands of the strategist can be supplied in general, but with emphasis on the internal supply. The use of the external consultant as supplier of advice is described in the next chapter.

In Chapter VII, a model for the development of client-consultant relationships is given. This chapter is conclusive in nature.

CHAPTER II

THE GENERAL CLIENT-CONSULTANT RELATIONSHIP

THE MANAGEMENT CONSULTANT

A management consultant has been defined as:

"an individual qualified by education, experience, technical ability and temperament to advise or assist on a professional basis in identifying, defining and solving specific management problems involving the organization, planning, direction, control and operation of an enterprise. He serves the enterprise as an impartial, objective advisor and not as an employee of its organization. He is not tied to the past, but thinks progressively and constructively about the future." (63)

There are several key points in the above definition which are germane to the central issue of this thesis. The first is that the management consultant brings a group of qualifications to bear on an organization's problems, rather than a single highly-developed skill as would a computer system salesman, for instance.

The second point to note is that the management consultant looks at the particular area he is investigating in concert with, rather than in isolation from the other facets of the enterprise. The decision to make a change in mode of operation in one area of the organization is undertaken only after all the interrelated factors in other areas, such as marketing, accounting, taxation and so on have been examined.

The third aspect of the definition which is particularly relevant is the impartiality and objectiveness which an external consultant brings with him to the organization. Although these factors will be examined in greater detail later, suffice it now to say that the consultant can be impartial and objective because he is not involved in the ownership or direction of the enterprise. Thus, he can stand back from the problem and analyze it in all its dimensions.

The last item worth noting especially is the creativity the consultant uses to solve the problem and make recommendations. His continual technical upgrading in his job, coupled with his exposure to similar types of problems in other organizations, on a confidential basis, allows him to synthesize the problem solution from a much broader base, free from the constraints of the business.

The Evolution of Management Consulting

One of the earliest management consultants was Frederick Winslow Taylor, who began work in the 1890's in the field of time and motion studies for productivity improvement. Although he was very successful in defining the methods of measuring work, motion and output that are used to this date, he did not become particularly adept at handling the industrial relations problems that arose from his finding workers redundant, and the firm firing them.

Taylor was one of the earliest leading proponents of the so-called Scientific Management school of thought. As Taylor regarded it, Scientific Management, in essence, was more a question of changes in the mental outlook of managers and men than it was of the techniques or tools.

Although he recognized this distinction, throughout his working life he appears to have been more of a technician than a tactician, and there is little evidence to suggest that he ever grappled effectively with human relations problems.

General management consulting in Canada had its roots as an offshoot from traditional financial accounting. Clients began asking the advice of their auditors on financial matters other than the conventional audit. Such things included costing studies, tax planning advice, business valuations and so on. When the auditors showed they could handle the additional requests, the business evolved into a "one-stop shopping" concept, whereby the client is now offered the total service firm concept. He can be given advice in all types of management areas, audited, advised on taxation, and even shepherded through bankruptcy or insolvency proceedings.

While this total service firm concept is firmly established in the larger "big eight" financial accounting practices, there are a host of smaller, specialized management consulting firms who deal in very restricted areas, be

they geographical or specialization.

These smaller firms generally consider themselves to have the depth and expertise in only a limited field, sufficient to serve some specialized need of the management of an enterprise. Examples of such firms' scope of business would include the areas of economic analysis and forecasting, public opinion research, executive recruitment and development, electronic data processing systems studies and marketing research.

The Management Consulting Profession in Canada Today

Management consulting, as a specialized professional endeavour, began in Canada during the 1930's. Its importance became well recognized during the Second World War and in the ensuing post-war years, when new technology fostered the need for independent management counsel.

In 1963, leading consulting firms established the Canadian Association of Management Consultants to assist in the industry's orderly growth, and to ensure the public of competent and ethical practice. Some of its objectives are listed below:

- to provide a forum for the interchange of information, ideas and views on matters of common interest, and on issues covering the management consulting industry in Canada

- to foster, among its member firms, high standards of conduct in their service to clients
- to disseminate, from time to time, information to business, government and the public regarding the services offered by member firms, and to act as a spokesman for its members on matters of common interest
- to foster the growth and development of the professional Institutes of Management Consulting in Canada.

In 1976, the Annual Summary of the C.A.M.C. showed that 857 professional staff employed by the sixteen member firms carried out a total of 7,296 consulting engagements for 4,694 clients, and generated gross billings of \$43.9 million.

The work performed was predominantly in the functional areas of general management, finance and control, computer applications and executive placement. The client categories served were mainly public administration (30.0%), manufacturing industries (24.4%), and community, business and personal service industries (15.5%). Eight percent of total billings was for overseas work, which continues to be a dynamic growth area for the profession in Canada.

Difficulties in Industrial Marketing Consulting

There is a problem with client-consultant relationships in industrial marketing. While such a statement may seem quite sweeping in its implications, it is the central theme of this thesis, and is supported not only by the author's own experience, but also by such writers as Dimma (26) who states, "even the most effective management consulting firms and individuals are tarred with the brush wielded by the occasional incompetent which infests every industry, every profession."

Problem Areas

The question posed in this thesis is why, in this day and age of management knowhow, when so much theory on problem solving, communications and decision making is available, do industrial marketing consulting engagements fail? Even if the client lacks the appropriate knowledge, surely the consultant should not, since this is essential to the performance of his job.

A consulting engagement may fail in one or more of three basic problem areas:

1. Problems in the definition of success or failure.
2. Problems with the client.
3. Problems with the consultant.

These three areas are discussed in detail in the

following sections.

1. Problems in definition
of success or failure

In attempting to analyze a consulting engagement, the problem of definition of success or failure arises, simply because it is very difficult to objectively assess the performance of the consultant.

The evaluation difficulty often arises because the actual project objective may not be clearly understood by both the client and the consultant. This lack of understanding can arise from the different motivations of the buyer and seller of the consulting service. The buyer may be seeking advice or technical service, or he may in reality be seeking outside approbation for an unwelcome internal change in the organization. He may also be buying post-facto reassurance. There are documented cases, for example, where a manufacturing facility has been constructed at great capital cost, and only then does the owner company undertake a marketing feasibility study for assurance that the enterprise will be profitable. Therefore, most of what is bought and sold in the client-consultant relationship cannot be subjected to normal purchasing analysis criteria.

If it is a difficult task to assess exactly what has changed hands for the price of the consultant's fee, it is an equally difficult task to determine whether the client has received value for his money. While it may

appear on paper that all the apparent objectives of the study have been fulfilled, this fact may not always be proof of the success of the consulting engagement. From the client's viewpoint, success may be measured by criteria quite unrelated to fulfillment of the agreed objectives, for instance, managerial acceptance of the consultant's recommendations, a subject to be discussed more fully later.

The problem of determining whether a consultant is capable of handling a particular project is illustrated by attempts made to construct a model for evaluation of external consultants. A study undertaken in Europe in 1972 (19) examined the decision process used in selecting a consultant for a two million dollar study of the potential for data transmission in Europe. The study showed "no decision models found in the literature can produce the actual decision process under study in a credible way." The lack of meaningful and consistent criteria for the selection of a consultant provides no basis for subsequent post-project evaluation of his performance.

Evaluation of industrial marketing consultants is further complicated by the fact that many industrial marketing research studies involve extensive use of consultant opinion, or the interpretation of market characteristics, which cannot be verified. Therefore, the client may not know whether the consultant's conclusions and recommendations were justified even after several years, if indeed ever.

By examining the nature of the needs of the industrial marketer for industrial marketing information, this thesis will attempt to suggest an explicit approach to the development of the client-consultant relationship which will minimize the problem of post-evaluation. In other words, by properly analyzing the nature of the requirements of the industrial marketer who is seeking market information, it will become possible to suggest rigorous criteria which can be used to optimize client-consultant relationships.

2. Problems with the client

Ideally, the would-be purchaser of the services of an industrial marketing consultant "will approach the service company with a clear brief: 'We have a problem. These are all the facts of the situation. How do we resolve the problem?' This, alas, is a situation which occurs only infrequently." (Wilson, 77)

Too often, consultants are given terms of reference which are at worst incorrect, or at least not clearly thought out and defined. Typically, the client has done little background research of his problem, so that the consultant has difficulty in understanding what the client is really looking for. There is also still widespread ignorance in businessmen about how consultants work, when they should be called upon for aid, and the economics of the industrial marketing research consulting business.

In some cases, so little background work has been done that the purchaser calls in the wrong type of consultant; in other cases, the purchaser believes a costly study is necessary when in reality an examination of internal company data will solve the problem. It is also a common characteristic that this type of purchaser refuses to allow the consultant to delve deeper into the internal problems of the company.

A classic illustration of this phenomenon is drawn from the author's experience. A large heavy truck manufacturer had assumed the decline in customers at his maintenance shops was a result of perceived poor service. He commissioned a costly survey by outside consultants, whose report showed that, contrary to the manufacturer's preconceived conclusion, actual and potential customers viewed the service as being of the highest quality. The consultants, perplexed by this apparent inconsistency, then analyzed internal sales data of the firm, which showed that most of the decline in customer use of the shop was due to a rapid decline in total truck sales in the area, and consequently a decline in the total volume of service work to be expected.

This thesis proposes that, by examining how the industrial marketing information needs of marketers can best be supplied, it is possible to determine what is required of the client to ensure he gets the maximum benefit possible from his use of the external consultant.

3. Problems with the consultant

The consultant himself often is the primary cause of the failure of a study. Certainly, one of the most common reasons for consultant failure is his inability to recognize the fact that he has not defined the real problem properly. In his desire to obtain the contract early in the negotiation stage, the consultant is unwilling to give the impression of being slow to grasp the problem, brushes over the difficulties in problem definition, and consequently ends up oversimplifying it. The client and consultant then both have the wrong impression of the essential nature of the problem, and inevitably client dissatisfaction will occur at a later stage in the project. Dimma (26) reports the comments of one Chief Executive Officer of a Canadian firm, who stated, "We came to the conclusion that they never really understood our problem".

A further problem is the incompetent consultant. There is evidence that there are some 'consultants' practising who are unqualified either through lack of a good theoretical background, or who simply lack the relevant experience to carry out consulting in the field of industrial marketing research.

Examples in the field are numerous, of consultant's reports which contain gross inaccuracies, poor methodology, incorrect interpretation, and misjudged recommendations. It is fortunate indeed for the authors of

such low standard reports that copyright protection is an accepted norm in the industry.

As an example, a consultant was engaged to carry out a representative image survey of a certain type of industrial product. However, he used the client's own list of customers as the sampling frame of the study, thereby creating an inexcusable bias toward the customer's product, and reaching a totally unjustifiable conclusion.

The fact that the prospective client is unable to be assured of his consultant's competence has created a vicious circle whereby the good consultant is forced to counteract this uncertainty by emphasizing matters extrinsic to the real problem of the client. Thus, the typical consultant places heavy emphasis on his image and list of successful projects and clients, to the detriment of intrinsic factors lying at the root of the purchaser's problem. A consultant has a greater chance of being hired if he is successful in projecting his image as a means of satisfying management needs, whether or not he has the proper skills to carry out the job, when in fact such a consultant should decline the job on "ethical" grounds.

Some measure of protection is provided to the client in the United States, since the American consultant is bound by a promulgated set of "Standards of Professional Conduct and Practice" of the Association of Consulting Management Engineers, New York (see Appendix I). The consultant specializing in industrial marketing research is

also bound by the code of ethics of the American Marketing Association. By employing only those consultants who are members of an accredited professional society, the client can provide himself some measure of security. C.A.M.C. has a similar code of ethics and professional practice.

The consultant's lack of knowledge on industrial marketing and marketing research techniques is often further complicated by his lack of technical knowhow specific to the industry concerned.

The consultant can misunderstand the industrial marketing environment. After all, why should a consultant, who is almost by definition not an entrepreneur, be expected to exercise the right problem-solving judgment in a business where he may have little experience, or at least little of the right experience. A potential client may be so frustrated in his search for a consultant with the appropriate background and experience that he may well undertake the job himself, but not with the effectiveness and objectivity which is required.

Often, however, the consultant can employ specialists in a particular industry to counter his lack of technical knowledge, or alternatively he may consider that he can obtain an adequate understanding of the industry in the process of carrying out his survey. The degree to which the industrial marketing consultant must have technical knowledge of the industry concerned will be discussed again later in this thesis.

The three factors discussed above, singularly or in combination, have a high potential for difficulties in the client-consultant relationship. In later chapters, this thesis will suggest criteria for selection of consultants which are aimed at protecting clients from consultant malpractice.

ADVANTAGES OF USING EXTERNAL CONSULTANTS

In spite of the problems discussed above, a survey of 280 business executives in the United States, carried out by the National Industrial Conference Board in 1966, reported the following reasons for turning to the use of outside consultants for marketing help:

- specialized skill, knowledge and resources
- manpower and cost savings
- objectivity and a fresh viewpoint
- anonymity of the company in a project
- speed in completing the project
- management's acceptance of the results
- exposure to outside consultant's ideas
- better contacts available to an independent researcher.

These conclusions were verified in 1977 by Dimma (26) who carried out a similar survey of 250 C.E.O.'s in Canada. His conclusions were basically the same as those of the earlier study.

In later chapters of this thesis, the validity of these advantages will be discussed further.

COMPANY EXPERT VERSUS OUTSIDE CONSULTANT

The fundamental question to be asked in any problem solving situation is whether an internal or external advisor is necessary at all to answer the problem. Once it has been determined that special advice is needed, should this be sought internally or externally by the firm?

The industrial marketer seeking advice, who wishes to avoid the pitfalls associated with the use of outside consultants, often sacrifices the advantages as well, and carries out the study internally. A listing of the disadvantages of using the external expert would include the following:

1. Additional time is needed to familiarize the outsider with the processes, functions and objectives of the client's organization.
2. Costs are likely to be excessive (or at least perceived to be excessive), and not commensurate with study results.
3. The experience and expertise acquired by external personnel conducting the study are lost to the client on completion of the project.
4. Experts may develop recommendations which, although optimal and technically feasible, may

not be suited to the client's resources, situation and so on.

5. Outsiders may be resented by the client's own staff, and it may be difficult to obtain the necessary co-operation.
6. There are complex problems associated with the supervision and co-ordination of the consultant's work. Followup is likely to be inadequate.
7. Infrequently, using consultants to help solve a client's problem may lead to a conflict of interest.

The basic questions the industrial market research user must ask himself are when to use management consultants, and whether they should be internal or external. According to one author (56),

"A test can be applied in determining when consultants should be used. If the problem would normally be solved efficiently by a group in existence within the structure of the company, the use of consultants is probably not appropriate. In other words, consultants should be used to provide direction to the solution of non-recurring problems which the company is not normally staffed to handle."

However, this seems an oversimplification of the problem, since it ignores many of the advantages to using outside experts which were listed previously.

SUMMARY OF THIS CHAPTER

This chapter has first explained why the thesis is concentrated on the field of industrial marketing

research. It has shown what is meant by the designation management consultant, and has discussed the evolution of the profession from early times to the present. The problems in the client-consultant relationship have been discussed, as have the relative advantages of the in-house expert in contrast to the external consultant. The chapter has expanded on the problems inherent in the development of the client-consultant relationship, and has pointed out those areas where optimization will help.

CHAPTER III

INDUSTRIAL MARKETING

This thesis has the aim of placing the demand for industrial marketing research advice in perspective by examining the field of industrial marketing. The advice need of the industrial marketing strategist has many complicated characteristics which can be attributed to the complex interrelationships between the marketing concept, the systems approach, corporate strategy and the development of the marketing strategy from these.

The supply of industrial marketing information, which will be covered in Chapter V, must reflect the complexities of demand if it is to be effective.

In the following sections, industrial marketing will be defined, and the special characteristics of industrial products and markets described. The application of the marketing concept to industrial marketing, and the relevance of the systems approach to it will be examined in detail.

As the thesis concerns itself with the strategy level of decision making, the process of formulation of corporate strategy will also be covered. This is necessary in order to show how the need for industrial marketing information arises, and how the need is generally intim-

ately interrelated with the on-going activities of the firm. Our concern is the firm-environment interface rather than either of the two items in isolation.

DEFINITION OF INDUSTRIAL MARKETING

The question of just what constitutes industrial marketing is very complex. Two alternative definitions of industrial marketing will serve to illustrate this complexity.

Wilson (78) defines industrial marketing as:

"those activities concerned with purchases and sales of goods and services in industrial markets and between organizational buyers and sellers."

Dodge (27) defines industrial marketing a little more thoroughly, using the American Marketing Association definition of marketing as a basis:

"the performance of business activities that direct the flow from producer to user of goods and services which produce or become part of other goods and services, or facilitate the operations of an enterprise, either business, public or non-profit."

In basic fact, industrial marketing is simply the marketing of industrial goods, with an emphasis on both buying and selling. Thus, while we appear to be quite clear on what are industrial goods, we are not nearly so

clear on what industrial marketing is. Industrial products and markets have characteristics which distinguish them from those of the consumer field.

CHARACTERISTICS OF INDUSTRIAL PRODUCTS AND MARKETS

Industrial products and markets have many peculiarities which distinguish them from consumer markets. The main characteristics are the following:

1. Derived Demand.

The demand for capital goods is wholly derived from the demand for the goods they produce, whether they are industrial goods¹ or consumer goods. It is important that the industrial marketer understand this fact, in order to understand the demand for his products. In analyzing the market potential for his product, the marketer of industrial capital goods may have to consider the demand characteristics of several other products, industrial or consumer, before being able to evaluate his own market.

1. Wilson (78) defines "industrial goods" as "all those commodities (goods and services) purchased, hired or leased for use either directly in the production of, or indirectly to facilitate the production of other goods and services destined for either the industrial or ultimate consumer markets, or for rendering services to organizations engaged in serving the industrial or ultimate consumer markets. There are four broad distinctions: industrial equipment, industrial materials, industrial supplies and industrial services".

2. Widely fluctuating demand.

Industrial demand's derived nature and responsiveness to customer inventory policy causes it to fluctuate widely. It can be characterized as having more a boom or bust cycle than consumer demand has. The initial reaction of industrial demand to changes in price runs counter to the normally conceived inverse relationship. Instead, purchasers will abstain from the market when the price is lowered and increase their activities when the price is raised. The reasoning behind such action is that any change foretells continued movement in the same direction.

3. Rational buying motives and practice.

Industrial buying is rational in nature when compared to consumer buying. This is because the critical factor in product acceptance and purchase is its economic justification. A purchasing decision is based on quality, price and vendor, but can also be subject to multiple influences, all the way "from the pinnacle of the management structure at one end to the operator on the bench at the other." (Stacey and Wilson, 71)

The final decision maker in a purchase is influenced by his superiors and his associates. He is both rational and emotional, the emotional

issues being more prevalent when the quantifiable factors among products and vendors are nearly equal.

Because there is more rationality in industrial purchasing, the industrial market lends itself more easily to market segmentation. For example, the manufacturing and service sectors can be divided according to some classification such as the Standard Industrial Classification code used by the federal government. Consumer market segmentation is generally more difficult because homogeneous segments are difficult to define -- the "irrationality" of consumer behaviour cannot be predicted.

4. Durability of capital goods.

Capital goods last a considerable time. For this reason, capital goods in the consumer market are often referred to as "consumer durable goods".

According to Wilson (78), demand for capital goods is of two types -- replacement demand and expansion demand. In the individual firm's purchasing situation, both of these types of demand can be delayed either by extending the useful life of the existing equipment, or by not expanding output. Capital goods are therefore purchased both infrequently and non-periodically, a characteristic not applicable to many other industrial goods such

as raw materials and component parts.

5. Long manufacturing cycle of capital goods.

Capital goods, and many other industrial products, have a longer manufacturing cycle than consumer products. In industrial markets, production often must precede demand, and the long manufacturing period makes it difficult to adjust to shorter term fluctuations in demand. In general, unit production of goods commits a firm to less long term consequences than mass production, while process production tends to commit firms even further into the future.

6. Market concentration.

The geographic, industrial and purchasing concentration factors of industrial markets manifests one of the fundamental differences between consumer and industrial marketing.

Geographic concentration of industrial markets is the most widely recognized of the three. For example, the concentration of manufacturing in the Ruhr Valley of West Germany, and the bunching of a large percentage of Canada's manufacturing facilities in a narrow strip stretching from Windsor to Montreal.

Industrial concentration, most noticeable in vertically integrated industries, occurs when

certain industrial products can only be sold to a few industries, for example synthetic rubber latices to the tire manufacturing industry.

Purchasing concentrations arise when the markets either consist only of, or are dominated by large users.

7. Distribution methods.

Many industrial goods, and nearly all capital industrial goods, change hands directly from seller to purchaser. According to Wilson (78), only in cases where the users are widespread, both geographically and industrially, where the value of units purchased tends to be small, and where the periodicity of purchase is irregular, would a formal wholesaling and stockholding service be economical.

8. Technological content.

An important property of many industrial goods is their technological content. Industrial goods are technologically intensive in that the buyer will normally prescribe certain components, standards or ratings for them. The more complex the product, the more emphasis on utilizing the technologist in making the purchasing decision.

In military business, and in some capital goods, the consumer buys a design, and sometimes a very

preliminary one at that, instead of an existing product. In such cases, the technical quality of the design, past performance on similar contracts, and the technical and scientific reputation of the industrial marketer all play an important role in the purchase decision.

9. Trading relations and "in-feeding".

Industrial marketing is characterized by reciprocity, that is the practice of extending purchasing preferences to those suppliers who are also customers, and "in-feeding", that is inter-departmental trading.

Agreements which enforce reciprocity can have a large effect on competition in the market. For example, seventy percent of the U.K.'s 1963 demand for fractional horsepower motors was accounted for by cross trading and inter-group purchases, according to Wilson(78). The significance of this sort of situation is that the actual potential for a new competitor in such a market is much less than the total would indicate.

10. Government influence.

Public sector demand for industrial goods is often very important, with the government in many markets representing the largest single customer. For example, the state-owned national railways

monopolize the market for rolling stock in the U.K. market. Public sector demand for industrial goods is also prominent in the Canadian economy. Government policies on foreign trade, decentralization, foreign investment and control, investment incentives, financing and taxation also influence the market for industrial goods and services.

THE MARKETING CONCEPT

The "new" marketing concept provides for:

- orientation of the total resources of the firm toward satisfying the needs of the customer-consumer, industrial firm or government
- integration of all marketing activities in the firm under a single marketing executive
- elevation of this chief marketing executive to high corporate status
- establishment of such staff functions as marketing research, product planning and brand management
- emphasis upon profitable volume, rather than simply increases in sales or gross revenue.

(Myers and Mead,61)

The marketing concept starts with the firm's existing and potential customers; seeks profits through the

creation of customer satisfaction; seeks to achieve it through an integrated, corporate-wide marketing programme.

Wilson (78) describes the marketing concept eloquently as:

"a philosophy, not a system of marketing or an organization structure. It is founded on the belief that profitable sales and satisfactory returns on investment can only be achieved by identifying, anticipating and satisfying customer needs and desires -- in that order. Identify, anticipate, satisfy. These three words ... form the basis of the marketing concept. They provide the key to the re-examination of any industrial marketing organization. They open the doors to the proper integration of marketing elements and the effective employment of marketing services. They point out areas of collaboration and interrelation with research, development, and production."

The entire organization of a firm which practices the marketing concept must be directed toward these three goals. The marketing function, when viewed in the context of the marketing concept, has wide-ranging corporate ramifications. It is possible, therefore, to classify a function as marketing without suggesting that it be a function of the marketing department only.

Any basic marketing text will classify the marketing activities of a firm into categories such as the following:

Merchandising Functions

- product planning and development
- standardizing and grading
- buying and assembling
- selling

Physical Distribution Functions

- storage
- transportation

Auxiliary Functions

- risk bearing
- marketing financing
- market information.

The marketing concept, therefore, involves fundamental activities of the firm. However, the typical firm in today's market has not yet fully accepted the principle of the marketing concept, and thus still has a product orientation toward the marketplace, such as the temptation to mass produce more at a lower unit cost. This and other factors can result in a conflict of interest between the various functions in the firm.

Adler (2), in advocating the phasing of research into the marketing plan of the firm, suggests a checklist for applying the marketing concept:

1. Decide on long-term marketing objectives.
2. Enumerate in detail the policies, plans and programmes needed to attain the objectives.
3. Identify blocks barring progress toward goals and specify areas where further information is necessary.
4. Define what and how the marketing research function can contribute to information gathering and problem solving.

5. Obtain the agreement of all members of the marketing team to objectives, plans and programmes.
6. Set up a priority order and timetable for the research projects.
7. Allocate the necessary budget, personnel and facilities for implementing the programmes.

This could be described as the systems approach to marketing.

THE SYSTEMS APPROACH AND THE MARKETING CONCEPT

One of the fundamental concepts of the systems approach to organization and management is the interrelationship of the parts of the subsystems of the organization. The approach begins with a set of objectives, and focuses on the design of the whole as distinct from the design of components or subsystems. The system parts of the firm are the individual, the informal organization, the formal organization, managerial leadership styles and the physical setting, which are linked together by the integrating processes of communication, growth, stability and decision making.

Under the systems approach, the general functions of management are also seen in a new perspective:

"Planning is viewed as an activity that integrates the organization by means of the hierarchy of plans ... the concept of organization is changing from one of structure to one of process ... (while) control, under the systems concept, is a cybernetic approach to management that views the organization as a 'homeostatic machine for regulating itself'." (Murdick and Ross, 60)

Use of the systems approach facilitates the fulfillment of the four basic requirements for complete integration of the marketing concept into the firm, which are, according to Dodge (27):

- "1. total commitment to consumer orientation
2. co-ordination-directed structuring of the marketing functions
3. unity of action in terms of marketing programmes
4. gradualism in the integration process.

Foremost is a consumer-focused mindfulness on the part of everyone in the firm."

In simple terms, the process of corporate planning undertaken by senior management sets the strategic (and marketing) objectives of the firm or system -- objectives which would address matching the resources of the firm with the uncertain external environment. The total system strategy is the basic aim of the firm, and is the foundation of subsystem objectives. Through management planning and control, which are the functions of middle management, and operational control, the subsystem objectives are formulated to ensure that subsystems do not work against each other, but instead contribute to the total system effort.

The following section describes the relationship between strategy formulation and the marketing concept.

CORPORATE AND MARKETING STRATEGY

The precepts of the marketing concept require a total systems approach. Someone in the firm must integrate the total business effort, and the logical choice is the marketing management of the enterprise.

Organizations with marketing-oriented management intuitively use marketing criteria to set guidelines for the operation of the firm. This set of guidelines, resulting from the longer term planning, is distinguished from the operating procedures of the firm on a strategic versus tactical planning continuum.

Strategic planning is the process of determining the major objectives of an organization and the policies and functions which will govern the acquisition, use and disposition of resources to achieve these objectives. At the other end of the continuum lies tactical planning, the process whereby detailed plans are developed for the utilization of the firm's resources to achieve the strategic plans.

Marketing strategy is "that part of the company's strategic plan which deals with the development of its products and services, the stimulation of demand for them, the determination of their prices, and the makeup of channels through which they reach customers." (Hill, 46)

The close relationship between marketing strategy and corporate strategy becomes evident when the dimension of the latter is examined.

Corporate strategy, the strategy of a firm in its environment, has four major components:

1. Product market scope, which specifies the particular industries to which the firm confines its product marketing efforts.
2. The growth vector, which indicates the direction in which the firm is moving with respect to its current product and market posture. Depending on whether the product is new or in existence, the growth vector will take one of four forms: market penetration (present product and direction), product development (new product, present direction), market development (present product, new direction), or diversification (new product and direction).
3. The competitive advantage, which identifies particular properties of individual products and markets which will give the firm a strong competitive position.
4. Synergy, which is a measure of the firm's ability to capitalize on a new product-market entry. It is an effect which can produce a combined return from the firm's resources greater than the sum of its parts.

Corporate strategy can be regarded as the systematization of a number of policies relating to the

strategic posture, or current position, and the strategic plan, or expected future position. These policies would include:

- product policy
- customer policy
- promotion policy
- distribution policy
- competitive policy
- pricing policy
- research policy
- financing policy
- investment policy.

It appears obvious that marketing and corporate strategies have some important common factors, for example:

1. they are both concerned with objectives in the firm's task environment, that is they are externally oriented
2. they both involve decisions with long term consequences, and as such are a consequence of long term planning.

One author (9) comments that "since the survival of any business is a function of its ability to find buyers for its products and services, marketing is a core element of core strategy."

The fact that marketing and corporate strategy are interrelated is of importance to the theme of this thesis because it shows that the use of marketing research

consultants influences the basic business mission of the firm.

The demand characteristics of industrial marketing information would suggest that in recommending alternative courses of action, the consultant must necessarily understand the intricacies of the enterprise's corporate posture and strategy. Some of the corporate aspects are so intangible, for example, the attitude of management toward risk, that communication of it in a manner that results in the necessary understanding may be difficult, if not impossible. Also, the demand for information is seldom passive, and should ideally be supplied in response to the specific objective of reducing the redundancy content.

Since this thesis confines itself to the use of industrial marketing research consultants at the corporate level, our area of interest in the field of marketing is marketing strategy.

INDUSTRIAL MARKETING STRATEGY

It is not the aim of this thesis to conduct an exhaustive examination of marketing strategy. The subject will be covered in enough detail to show how the demand for industrial marketing information could be expected to originate, and more importantly, how it is interrelated with the total information demand of the firm.

One author (59) postulates that the development of marketing strategy consists of two quite distinct, yet

interrelated steps: (1) the selection of target markets; and (2) the development of the marketing mix.

The Selection of Target Markets

The definition of the long range intended product-market scope is a complex matter, and is conditional on the development of the corporate strategy. Over the medium term, prescribing target markets also serves as a basis for the development of a marketing mix.

It is suggested here that marketing strategy starts with the defining of the product-market scope of the enterprise, which results from corporate strategic planning, followed by the development of strategic aspects of the marketing mix.

In the following paragraphs, Katz's(51) normative approach to the planning of corporate strategy will be presented as it is interrelated with planning a marketing strategy. He proposes a six-step sequence in planning of strategy:

1. environmental analysis
2. resource analysis
3. identifying competitive advantages
4. defining scope
5. establishing performance specifications
6. resource procurement and deployment.

Step 1. Environmental Analysis

In monitoring the business environment of the firm, senior management attempts to identify future

opportunities and limitations within the company's existing slate of products and customers.

The basic aims of this first-step analysis are three-fold:

- (i) to find new opportunities for present products with new customers, new territories or new applications;
- (ii) to find new opportunities to serve existing customers with new products or services, or in new territories; and
- (iii) to identify the major future threats to market position and profit margins.

When management has completed this step, they should then look for new opportunities in other product and market areas. The total business environment should be deliberately and consistently examined for new opportunities, and a close scrutiny of competitors' activities, particularly in new product development should also be undertaken.

This type of analysis of the corporate environment identifies the products and markets, both present and future, on which major emphasis should be placed. It also provides information on what present activities should be de-emphasized or ultimately withdrawn.

Step 2. Resource Analysis

Ansoff's (8) "competence profile" concept is useful for resource analysis. It is defined as "a strength

and weakness profile relative to specific areas of competence and skills." If properly developed, it is a resource listing of the skills and expertise available within the firm, rated with respect to other firms having similar capabilities.

For industrial marketers, resource analysis is important because of the peculiarities of industrial demand, discussed earlier. A critical assessment of corporate strengths and weaknesses provides the basis for planning future strategies, since it narrows the range of feasible alternatives.

Step 3. Identifying Competitive Advantages

Katz (51) lists seven principal competitive advantages which the firm may have: preferential marketing position, technological superiority, preferential supply position, physical advantages, financial capability, personnel competences, and low cost, high efficiency operating skill in manufacturing.

Good precision in identifying the nature of the particular competitive advantages held enables the successful firm to:

- always lead from strength
- concentrate resources where the firm currently has, or can readily develop a meaningful competitive advantage.

Step 4. Defining Scope

In this step of planning, the senior management

of the corporation defines its target markets. A clear articulation of which products, which customers and which channels of distribution will receive the prime emphasis will not only guide central resource allocation, but will also allow divisional management to further develop a marketing mix strategy.

In general, the narrowest possible product and market scope should be selected for each decision-making unit consistent with unit resources and market requirements.

The structure of industrial markets lends them to market segmentation. This is the process whereby the total market is classified into segments, with purchasers in one segment being relatively homogeneous, but distinct from the purchasers in another segment. The "market grid" approach suggested by McCarthy (59) is a useful analytical tool for segmentation of the total market into more uniform sub-markets. It produces homogeneous target markets, each of which may require a unique marketing mix.

Step 5. Establishing Performance Specifications

In this phase, objectives are finally formulated. They may be quantitative, such as growth rate, market penetration, market share or return on investment; alternatively, they may be qualitative, such as image, personnel skills or management style.

Ansoff (8) classifies objectives into three classes:

- Economic objectives -- proximate, long-term and flexibility
- Non-economic objectives -- individual economic and non-economic
- Responsibilities and constraints -- individual economic and non-economic and institutional constraints.

Step 6. Resource Procurement and Deployment

This last step sets the boundary limits and general direction for overall resource deployment, and unless resources are gathered and utilized within this framework, the whole corporate planning process becomes meaningless.

Development of the Marketing Mix

A "detailed definition of ... strategic variables will refine substantially the broadly stated direction indicated" in the preceding section (Katz,51). The strategic variables of the marketing function are commonly classified into "the 4 P's" of the marketing mix -- price, product, place and promotion. These are not significantly different than the nine elements of corporate strategy discussed earlier in this chapter; in essence, they are merely a regrouping.

The selection of target markets should be made simultaneously with the development of the firm's marketing mix, as the two are integrally related.

Marketing mix strategy basically amounts to

ensuring that each target market has a relevant marketing mix strategy which makes certain buyers are aware of the products for sale (promotion policy), are supplied with the products they want (product policy) at an acceptable price (price policy) and at a convenient place (distribution policy).

In the following paragraphs, the strategic factors of the four main marketing mix policies will be discussed briefly.

Product policy

The objectives of product policy flow naturally from the earlier analysis of corporate goals, particularly in defining the corporate product scope.

McCarthy (59) emphasizes that a product is more than just a physical product by the following definition:

"The total product is more than just a physical product with its related functional and aesthetic features. It includes any accessories needed, installation, instructions on use, the package, perhaps a brand name which fulfills some psychological needs, and the assurance that service facilities will be available to meet the customer's needs after the purchase."

The definition is significant despite industrial products having characteristics which differentiate them from consumer goods. Indeed, the "dependable quality and prompt service" idea may be even more critical in the industrial market sector. More than just customer inconvenience is involved, since a whole production line may be shut down when the total product is not satisfactory.

This is one of the reasons why industrial buyers consider the total cost of the product over its useful life, rather than just the initial cost.

Most products have a limited life cycle. This has implications for management action related to product policy decisions which aim to achieve a balance between

- products in the pipeline of development
- new products not yet making much contribution to total revenues
- developing and maturing products making the main contribution, and carrying the deficiencies of others, and
- decaying products which are candidates for withdrawal in the near future.

The above identification of strategic product policy is all that is necessary in the context of this thesis. However, it should be emphasized at this juncture that studies have shown that product policy decisions are more important to market success than pricing decisions, and that the need for a fully developed policy on product research and development is essential.

Pricing policy

Intuitively, one would expect that since the industrial purchase decision is more "rational" than the consumer situation, as discussed previously, pricing policy would be of some importance. However, there is no unanimity among writers on this subject. Price is

probably not a significant factor in a new product buying situation for example, but probably "does become the prime criterion for many products which are standardized." (34)

Dodge (27) suggests that the main determinants of price are:

1. costs
2. market conditions
3. marketing objectives of the firm
4. geographic customer location
5. legal implications.

According to the same author, the Brookings Institute found the most common pricing goals to be:

- pricing to achieve a target return on investment
- pricing to stabilize both price and margin
- pricing to maintain or improve market share
- pricing to meet or follow competition.

To his list, one might add pricing to discourage potential competitors, and cycle pricing to maximize product status in the marketplace.

Other aspects of pricing decisions are:

- pricing for quantity and timing differentials
- new product pricing
- price determination in a declining market
- spare parts pricing
- interdivisional and distributor pricing.

Distribution Policy

Having identified his target markets, the industrial marketer must then decide how to reach his customers, bearing in mind that problems in distribution may necessitate adjustments in product, price and/or distribution policies when they are integrated to define the marketing mix.

Nine factors are considered decisive in practical decisions related to industrial product distribution channels, according to one author (Diamond,25):

- market coverage
- ability to secure sales volume
- willingness to carry local inventories
- cost of distribution
- technical familiarity with product line
- contract with the trade
- area of specialization in product line
- trade customs
- character of institution.

Dodge (27) cites four major activities which are involved in the management of marketing channels:

1. selection
2. assistance
3. co-ordination
4. control.

Selection of the particular marketing channel is the most important step in this series, and involves four

steps, namely:

- determination of whether market coverage will be limited, selective or mass
- deciding on direct or indirect marketing
- deciding on the major type of outlet
- selecting or locating various outlets.

Assistance to help the selected outlet fulfill its assigned task could take the form of credit, billing and pricing; technical field assistance; training; inventory back-up; management consultation; and promotion.

The framework for co-ordination and control should also be clearly defined and understood, to ensure that the system is workable, and that the process runs smoothly.

Promotion Policy

According to Kotler (53), promotion is the term used to "stimulate sales through directing persuasive communications to the buyers" in purchasing activities.

Promotion is the fourth policy making up the marketing mix, and should be closely integrated with the other components. The components of the promotion mix must also be balanced, but as applied to industrial goods,

"personal selling is more important generally speaking ... Nevertheless, manufacturers constantly advertise industrial products to speed sales and reduce the cost of personal sales effort ... Appeals of quality, service, durability and economy are stressed. Basically, the appeals are rational, and the copy often cites case examples of successful use of the product by other industrial firms." (Wright and Warner, 80)

Integration of promotion policy mix and the marketing mix can also be enhanced by the use of a technique known as planned visual communication. This technique involves the visible, distinctive and consistent projection of related company, division and product identity into its markets.

Dodge (27) describes the principal objectives of the firm's promotion policy as:

1. promoting the product offerings
2. building a favourable company image
3. creating and maintaining communication channels
4. supporting distribution elements
5. reducing the overall cost of selling.

SUMMARY OF THIS CHAPTER

In this chapter, the field of industrial marketing has been defined and described. It was shown that the industrial marketing field has characteristics which distinguish it from consumer marketing, but that nonetheless, the "marketing concept" can still be applied, particularly with the use of the systems approach to organizations. A synthesis of corporate and marketing strategy was developed, and the difficulties inherent in formulating the marketing strategy were noted.

CHAPTER IV

INDUSTRIAL MARKETING INFORMATION DEMAND

"The purpose of industrial marketing research is to aid management through the use of research techniques and analytical methods, in making decisions relating to the production, sale and distribution of the firm's products in order to reduce costs and increase the profitability of the firm. The vital corollary is that it is not a substitute for top management's judgment, but it is an aid to that judgment." (Stacey and Wilson, 71).

The primary output of the industrial marketing research undertaken is information to aid the decision making process.

DEFINITION OF ADVICE DEMAND

In the context of this thesis, "advice" is taken to signify opinion or information for management to use as a guide to future-oriented decisions and actions. The demand for expert advice from outside the firm is largely a function of the internal resources available from within the firm. At this juncture, "advice demand" will be formally defined as:

"opinion or information required either from the internal experts of the firm or from external consultants, as a guide to future action."

The main concern of this thesis is with advice which is of use to the industrial marketer at the strategic level, that is, advice which could be used to

alter the basic strategy of the firm. The information obtained from an advisor, whether internal or external, has certain characteristics, the components of which are common to all information. Murdick and Ross (60) list these as:

1. Purpose: information must have a purpose at the time it is transmitted, otherwise it is simply random data or noise.
2. Mode and format: communication of information to humans is by one of the sensory modes, while the format is usually verbal material or a written document.
3. Redundancy: this corresponds roughly to the excess of information contained in a unit of data. It is a safeguard against errors in transmission.
4. Rate: the rate of transmission or reception of information may be represented by the time required to understand a particular situation.
5. Frequency: the frequency with which information is transmitted or received affects its value.
6. Deterministic or probabilistic: information may be known with certainty, as is the case with historical data. Alternatively, as regards the future, information must contain an element of uncertainty.

7. Cost: cost is a limiting factor in obtaining information.
8. Value: the value of a specific item of information is a complex matter, being highly dependent on other characteristics such as mode, rate, frequency, deterministic/stochastic features, reliability and validity.
9. Reliability: reliability may be expressed as the degree of confidence the decision maker places on the information received.
10. Validity: the validity of information refers to the degree to which the information actually represents what it purports to represent.

In general terms, strategic advice concerns information which will be used to influence marketing strategy, has a normal mode and format, has negligible redundancy, contains a high level of probabilistic information, is likely costly but will hopefully have a long-term value, and which has high emphasis on reliability and validity.

LEVELS AT WHICH THE CORPORATE STRATEGIST'S ADVICE DEMAND OCCURS

In the previous chapter, the synthesis of corporate and marketing strategy in the corporate context was described. From this description, one can obtain a

broad view of the strategist's information needs. However, to gain a better perspective of these needs, it is useful to undertake a further analysis of them in a classification more relevant to the purpose of this thesis. It is proposed to identify information needs by classifying them according to the level of detail associated with each. The following list presents the detail levels which succeeding paragraphs will examine in turn:

1. National economy level.
2. Industry level.
3. Company target market level.
4. Product policy level.
5. Price policy level.
6. Distribution policy level.
7. Promotion policy level.

It is not being suggested that all the information needs outlined here must be obtained from an internal or external advisor, since much of the information should be available from the on-going marketing information system of the firm. The strategist will generally only have an advice demand if the marketing information system cannot respond to his information demand.

Advice needs at the
national economy level

The industrial marketer must be aware of the general economic climate at the national economy level, because this is the environment within which the firm must

operate. Typical indicators of the direction of the national economy would include, but not be limited to:

- gross domestic product (GDP) growth
- sector/industry contribution to GDP
- balance of payments situation
- foreign trade conditions
- inflation
- unemployment
- capital formation, investment, money supply
- principal interest rate trends
- stock exchange indices
- company registrations
- socio-political trends
- infrastructure features.

The industrial marketer should be aware of these indicators, and have an accurate interpretation of the meaning of trends in them. That is, he must understand the significance of economic trends as they influence the general direction of industry.

Advice needs at the industry level

At the industry level, the corporate strategist examines the competitive prospects for the industry as a whole. An outline for industry potential studies was proposed by Ansoff (9), and is contained in Table I on the following page.

TABLE IAREAS OF INDUSTRIAL ANALYSIS REQUIRED BY
THE INDUSTRIAL MARKETING STRATEGIST

- I. Product Market Structure
 - products and their characteristics
 - product pressures
 - product targets
 - customers
- II. Growth and Profitability
 - history
 - forecasts
 - relation to life cycles
 - basic determinants of demand
 - averages and norms typical of the industry
- III. Technology
 - basic technologies
 - history of innovation
 - technological trends - threats and opportunities
 - role of technology in success
- IV. Investment
 - cost of entry and exit - critical mass
 - typical asset patterns of firms
 - rate and type of obsolescence of assets
 - role of capital investment in success
- V. Marketing
 - means and methods of selling
 - role of service and field support
 - role and means of promotion
 - what makes a product competitive
 - role of marketing in product success
- VI. Competition
 - market shares, concentration, dominance
 - characteristics of outstanding and poor firms
 - trends in competitive patterns
- VII. Strategic Perspective
 - trends in demand
 - trends in product-market structure
 - trends in technology
 - key ingredients in success

Source: Ansoff, H.I.(9)

The industrial marketer requires the information shown in Table I in a form which reflects insight into the various facets of the industry, as well as an objective viewpoint which ensures that internal predispositions about the firm's performance do not bias the analysis. Furthermore, as the information is to be used in strategy formulation, it is often necessary that this type of information be provided confidentially, so that competitors cannot anticipate the firm's actions.

Advice needs at the
company target market level

The marketing strategist aims to identify both:

- the opportunities and threats facing product-market targets, and
- the new opportunities in other product-market areas.

At this level, the formulation of marketing strategy requires the company to identify and evaluate present product-market scope, and plan future scope against the background of the national economy and industrial analysis, subject also to the resource constraints of the firm.

The fact that defining the scope of product-market segments is based on the firm's strengths and weaknesses and competitive advantages, as discussed in Chapter III, dictates that the marketing strategist fully understand and

realize the significance of these corporate factors.

The strategist needs to know how his market is segmented, whether the segmentation is realistic, that is whether the market grid does in fact classify the market into homogeneous segments, whether the company's exploitation of its particular competitive advantage in each market segment is the most effective possible. The industrial market is generally readily segmented, but in pursuing homogeneity of his target groups, the strategist must be aware of the criteria used, the ways of measuring these criteria, and the meaningful clustering of customers in terms of these criteria.

Strategy formulation also requires that the company break away from its present scope, and deliberately and consistently scan the environment for new product-market opportunities. The strategist definitely needs objective, fresh thinking, but it must be thinking which creates ideas consistent with corporate objectives. Searching for prospects outside the corporate objectives has "the disadvantages of inefficient search, enhanced risk of making bad decisions, and lack of control over the overall resource allocation pattern." (Ansoff,9). The corporate objectives will indicate what business the company wishes to be in. Particularly the growth vector component of corporate objectives, that is objectives through expansion or diversification, influences the degree of new thinking required. It should be noted, however, that a "new product" is not

limited to physical newness. A product is new if it is new in any way -- to any target market.

The advice demand of the industrial marketing strategist at the company target market level is conditioned by the specialized nature of industrial markets, and the intrinsic constraints inherent in attempting to balance the marketing mix.

Advice needs at the
product policy level

Product policy depends on the overall company objectives, and aims at specifying product objectives. To do this, certain information needs arise. The marketing strategist must have feedback on whether the products aimed at the target markets are fulfilling the purpose for which they were marketed. He must understand the relative importance of various components of the product to the industrial buyer, taking into account for example the service content of the total industrial product.

Technically speaking, one physical part of the product may be too weak, which consequently lowers the maximum standard for the total. In this respect, the concept of value analysis as previously discussed is particularly applicable.

In the target segments, the strategist needs to know whether the product is differentiated from other products to the firm's advantage, and whether product

strategy between segments has an adverse influence on the total effort. The product life-cycle concept is especially important, and to formulate the strategy effectively, the strategist should compare his company's product life-cycle in each segment with those of the competitors' products.

Finally, the product policy cannot be formulated in isolation from other components of the marketing mix. Any information on the product policy must be balanced with information on the price, distribution and promotion policies.

Advice needs at the
pricing policy level

"Too many firms seem to ignore demand and depend almost blindly on cost-oriented pricing." (McCarthy, 59). It is a fallacy that price should depend on cost, nor does pricing in actual practice occur according to ideal economic models.

As a result, the strategist must aim at achieving a broad understanding of price influences in each selected segment, and needs to rely more heavily on market conditions, the geographical location of customers, and the overall objectives of the firm to achieve a meaningful pricing policy.

An understanding of the various types of market structures, such as monopolistic or competitive, is an invaluable tool in analyzing the problems of pricing

decisions. The industrial marketer should therefore attempt to achieve an overall understanding in the industry analysis, and indeed needs a deeper understanding to formulate pricing policies for each segment of his market.

Geographic location and concentrations must be considered for each market segment. Some locations might be characterized by stiffer competition than others, which will require different pricing approaches.

The pricing objectives, however, must be seen in the context of the corporate and marketing mix goals. For example, if the company has a goal to compete on the basis of technical superiority, the pricing and product policies should be internally consistent. In this case, price cutting would be avoided, and prices would probably be held slightly higher than the competitors' prices. Similarly, the analysis of product life cycles described in the previous section may indicate that a price change is required to maintain objectives.

Advice needs at the distribution policy level

Distribution policy provides "time and place utility", and therefore the distribution strategy is concerned with satisfying these two factors.

Although most industrial products are sold directly from producer to consumer, consideration must still be given to this compared with other channels that may be

used.

The target markets having been located, the strategist needs information which will enable him to select channels which are capable of meeting the objectives of market coverage and the desired volume of sales.

He should investigate whether the channel has the ability to supply the technical component of industrial products, and whether it has the required contact with the buyers. It is important to know what other products are carried by the channel, to ensure that the character of the institution is consistent with that of the product, price and promotion policy of the firm. The strategist should also have cost data available, and, of course, know the attitude of channel institutions to carrying stock.

An important concept for distribution policy is the "physical distribution concept" (Kotler, 53), which means that the strategist in distribution policy formulation must strike a balance between traffic, inventory and warehouse information which makes marketing channel decisions "the most complex and challenging decisions facing the firm." Channel decisions are often aided by the use of operations research techniques.

Advice needs at the promotion policy level

Much of promotion policy strategy consists of integrating the promotion components (advertising, personal

selling, sales promotion and publicity) with the other dimensions of the marketing mix, and balancing the promotion mix to achieve the best total effect. One of the major problems is that of deciding the total amount to be spent on promotion, particularly advertising. The objective and task method of allocation, in which the firm allocates an amount which could be reasonably expected to be needed to achieve specified objectives is a method which "has a certain logic and appeal that accounts for its growing popularity among advertisers." (Kotler, 53)

In planning an advertising campaign, for example, the information needs of the strategist "can generally be consolidated into five special categories," as follows:

1. the relative importance of market segments
2. the behaviour and attitudes of consumers
3. the images and characteristics of the products or services we are promoting
4. the content of the messages we are to use
5. the combination of media that can best accomplish our objectives.

(Dunn, 29)

Personal selling is of particular importance in the industrial marketing field. The salesman is frequently a middleman between the engineering department and the customer, and takes on added responsibilities where a buyer tends to identify the company with its salesman, most particularly where a corporate image is not fully

developed. The strategist needs to fully understand the purchasing situation for each of his products, and on the basis of this and all the other elements of the promotion, and marketing, strategy, decide on the level of salesman effort, selection and training required.

The industrial marketing strategist should also formulate his policy of technical literature, trade directories, attitude to direct mail advertising, industrial exhibitions, and lectures to technical societies -- all of which have particular relevance for industrial marketing.

THE PURPOSE OF ADVICE DEMAND

It has been assumed in a previous section that information needs become advice demand when the on-going business of the firm is unable to supply the knowledge needed for efficient operation. The consultant is then called in to fill the knowledge gap. This is a realistic assumption, but there are cases where outside advice is "needed", even though the organization has the expertise or the mechanism to supply it internally. It is useful to identify a few examples. In these cases, management calls in a consultant for extrinsic reasons, with varying degrees of validity.

1. Prestige reasons

Like ownership of a computer, firms will often call in marketing advisors for prestige purposes. The reasoning behind such a move is that the injection of

"expert opinion" enhances the prestige of the firm in the eyes of the shareholders, employees, distributors and customers. If the consultant is well known, a degree of prestige is involved. However, difficulties arise when consultants are employed on phony projects. This is because project objectives are obscure, and the results are seldom in a form useful to the client.

Some firms have published consultant opinion in promotion campaigns to show the gaining acceptance of their products, with varying degrees of success.

2. To scare off competitors

Firms might employ the consultant as a subtle way of showing potential competitors that the firm is actively trying to improve its business in a particular sphere.

The show of force, in the guise of a consultant opinion, can be useful in adding credibility to a threat against potential competitors, but on occasion it can backfire. For example, on hearing of a raw material supply study by a foreign firm, a domestic firm might announce its intention to build a new plant, and object to the export of the needed raw materials. Had the survey been conducted quietly, the foreign company might have been successful in entering the raw material market, and discouraging the local firm from building the new plant.

3. For confidentiality

The above two cases require communication of the intention to hire a consultant, but in most cases a company requires confidentiality so as not to antagonize competitors or unduly worry other firm contacts such as customers, distributors or suppliers. Where confidentiality is required and the advice needed has to be obtained by the survey method, it is very difficult for the organization to carry out the work using internal staff.

Confidentiality is an intrinsic criterion where it is necessary for project success, for example, in new product studies. However, a project can often be conducted more easily and less expensively if it is carried out openly.

4. To provide credibility or assurance

The marketing strategist may not have enough confidence in the internal experts or in himself, and calls in a consultant to reassure himself or to add credibility to his recommendations.

Certainly, if an outside consultant is chosen carefully, and the client-consultant relationship is a good one, the consultant is useful in providing credibility or reassurance. The difficulty arises, however, when the consultant sacrifices accuracy and

truthfulness for providing assurance, or alternatively reduces the line strategist's credibility by proving him wrong.

5. To arbitrate

Closely associated with the above example is the situation where a consultant is called in to give an unbiased opinion on a problem which two or more executives are unable to agree upon.

Consultants are useful for arbitration, but a counter-argument is that, depending upon the circumstances, the in-house expert is often in a better position to arbitrate, because he is in a good position to understand the different executives' points of view.

6. For objectivity

In this case, the strategist recognizes his firm's strait jacket, and approaches an outside consultant for objectivity and a fresh point of view. This is particularly so where the planning process is poorly developed within the firm. If a systematic planning process is followed, as suggested earlier in this chapter, the need for further objectivity is greatly reduced.

The consultant is obviously able to take an impartial view of the client company's position, where an internal advisor, or the strategist himself, could not because the internal man has been conditioned by

long-standing beliefs about the firm.

This in fact also poses difficulties for the external consultant. Due to strong dispositions of management, a good objective viewpoint may be rejected if it is not put across strongly enough to be particularly convincing.

The origin of advice demand is often difficult to trace. The more difficult it is to do so, the more likely it is that the advice demand is based on an unsound premise. For example, the apparent need for confidentiality in a consultation may be a guise for employing a consultant to intervene in an internal power struggle between executives.

The procedure for the development of the client-consultant relationship presented later in this thesis discourages the use of consultants when the objectives of the research are unspecified or unclear.

Pre-commissioning contact would include a study of the historical background and purpose of the project. It is obvious that the more the consultant knows and understands about the project background, the more likely he is to be successful.

SUMMARY OF THIS CHAPTER

Much of the demand for industrial marketing advice is a result of the inability of the on-going process of marketing itself to provide the necessary information.

In this chapter, information demand characteristics have been presented. The intrinsic component of these needs was classified into seven levels, which were briefly discussed. It was also shown that demand for advice often has an extrinsic component, such as the commissioning of a survey for prestige reasons, which may also be of importance in measuring the effectiveness of a consultant.

Ideally, advice satisfies both the intrinsic and extrinsic components of the industrial marketer's needs. In the next chapter, the supply of advice will be examined, with the objective of determining the efficiency of various advice supply sources.

CHAPTER V

INDUSTRIAL MARKETING INFORMATION SUPPLY

THE GENERAL SUPPLY MODEL

The consultant may supply knowledge at any point in the strategy formulation cycle or decision process. The necessity for external advice may be either as a result of the firm being unable to supply a particular component intrinsic to proper strategic planning, or as a result of extrinsic factors.

In an attempt to expose the areas where a consultant could be useful to the industrial marketer at the strategic level, this chapter will examine the strengths and weaknesses of information supply in general.

In the following section, the internal marketing information system will be examined. It is intended to show in the section how information is an aid in the marketing process, and also how marketing research in particular is integrated into the process. The succeeding section will explain the methodology of industrial marketing research. This is done because it will be shown that marketing management has to understand the basic methodology of marketing research to be able to use it effectively. The above will be followed by a section on the information supply from staff positions, that is the in-house expert.

The following chapter will then present a discussion on information supply by external consultants. In that chapter, the supply of specific areas of advice requirements to the industrial marketer will be examined.

THE FIRM'S INTERNAL MARKETING INFORMATION SYSTEM

Kotler (53) represents the major sources of marketing intelligence as shown in Figure I, below.

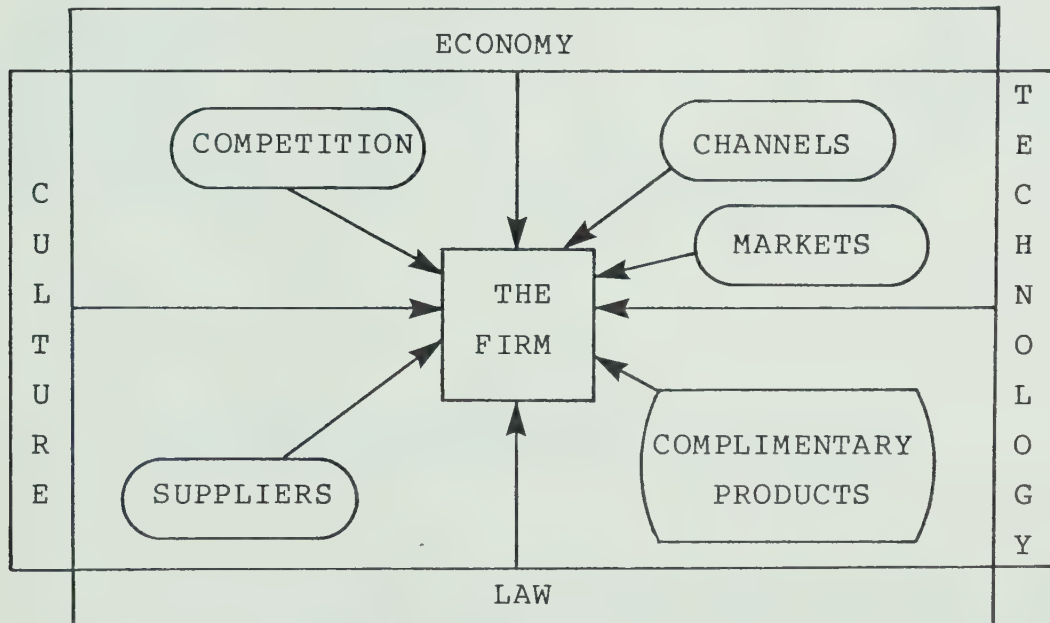


FIGURE I
SOURCES OF MARKETING INTELLIGENCE

These are the environmental flows to various points in the firm. They will be monitored, collated, interpreted and acted upon. A crucial point about marketing intelligence, however, is that it must reach the right

executive to be useful. The information flow must be not only to the firm, but also throughout it. The internal flow has upward, downward and horizontal components. With outward marketing communications, then, Kotler (54) identifies the three basic marketing information flows in Figure II, below.

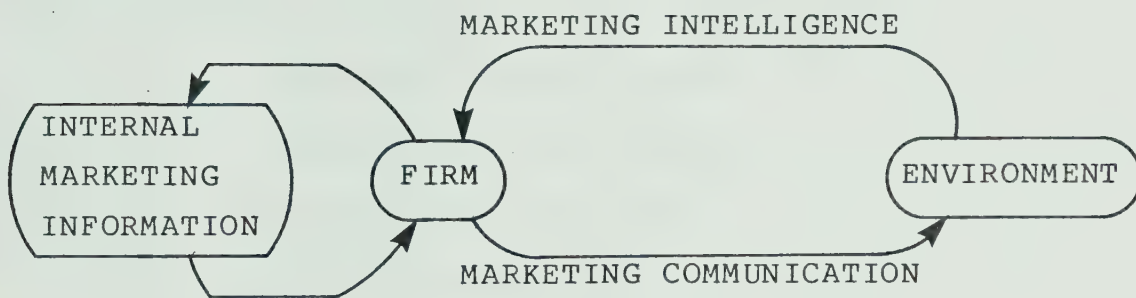


FIGURE II
THE THREE MARKETING INFORMATION FLOWS

Specific major sources of information to a firm are listed in Table II, overleaf.

The marketing research information flow has certain types of feedback loops inherent in it:

1. Evaluative feedback: research evaluates the execution of specific aspects or phases of the marketing programme. In this role, it provides the basis for control, modification or redirection of the overall programme.

TABLE II
MAJOR INFORMATION SOURCES OF THE FIRM

I. Sources within the company

- specialized staff groups
- regular reports
- informal communication of all kinds

II. Published sources

- government agency reports
- trade association reports
- scholarly publications
- trade journals
- directories and lists
- general publications

III. Other companies

- suppliers
- advertising agencies and media
- customers, including dealers and distributors
- competitors

IV. The information industry

- marketing research firms
- other specialized agencies

2. Formulating feedbacks: marketing research acts as an agent to assist in phasing in the inputs to a dynamic decision making system, and thereby acts as a co-ordinating agent.
3. Search feedbacks: the scanning and search function of marketing research helps in anticipating new profit opportunities.

The above list illustrates that marketing research "should be viewed as a part of a company's marketing information, not as the whole of it, or as something distinct and separate from the other elements of the system." (Buzzell, 19). However, it is useful to make an explicit distinction between information projects, and information systems.

Project information is discrete, and is provided to meet specific, temporary needs. Typically, a problem arises, a study or series of studies is carried out, the results are reported, a decision is reached, and the need for information is gone. This approach is inevitable for some purposes, for example test marketing of new products, but distinguishes it from information systems which are continuous.

The above description of project information is important in the context of this thesis because invariably, the use of external consultants for marketing strategy problems will be for this category of information. Consultants often provide continuous information, for instance

on a consulting retainer basis, but the information obtained would generally be more useful at the operating decision level, rather than at the corporate strategic level.

Limitations of Information Supplied

In practice, according to Kotler (54), complaints by marketing management about the quality of the marketing information they receive fall into a number of areas:

1. There is too much marketing information of the wrong kind, and not enough of the right kind.
2. Marketing information is so dispersed throughout the firm that great effort is usually necessary to locate simple facts.
3. Important information is sometimes suppressed by other executives or subordinates for personal reasons.
4. Important information often arrives too late to be useful.
5. Information often arrives in a form that gives no idea of its accuracy, and there is no-one to turn to for confirmation.

In a study by Albaum (4), the inefficiency of information transmission was highlighted to suggest that three problems arise in the practical situation:

- (i) Information disappearance: individuals may forget to relay information, may not know who

can use it, or may purposely suppress it for personal reasons.

- (ii) Information delay: information is delayed en route to the decision centre.
- (iii) Information distortion: the message becomes distorted in the process of being encoded, transmitted and decoded many times.

The likelihood of disappearance, delay and distortion apparently increases with the number of relay points between the source and the final decision centre.

The foregoing internal information supply problems are important because, where they occur, it becomes difficult for marketing management to properly identify problems, let alone make decisions on them.

Information Supply and Decision Success

Research has shown that the supply of adequate, meaningful information does not necessarily result in a successful decision being made. To properly gain the decision maker's attention, the information must, in a significant manner, reflect his way of thinking about problems. The decision maker's way of thinking about problems is conditioned by the pressure exerted upon him by his business environment, moral outlook and culture.

In reporting on a research project, Trull (72) suggested that the factors involved in determining total decision success could be categorized into two clusters of

variables, the quality of decision, and implementation. The model developed showed that the total decision success was a function of (a) decision quality, and (b) implementation. Each of these functional variables contains the following factors:

Decision Quality

- compatibility with existing divisions
- nearness to optimum decision time
- proximity to optimum amount of information
- problem solver's influence on decision.

Implementation

- avoidance of conflicts of interest
- risk-reward factor
- degree of understanding.

The decision process appears therefore to be very complex. Successful information and advice supply must take account of this, especially where the source of information is the information industry or internal staff groups.

Understanding the problems of decision success has deep rooted significance for analyzing the effectiveness of the in-house expert-manager or external client-consultant relationship, particularly if one views acceptance of recommendations as the measure of success of a consultation.

INDUSTRIAL MARKETING RESEARCH

We now will examine industrial marketing research as a supplier of information. The study of the methodology and procedures of industrial marketing research will only be

discussed to the depth that we can determine the level of expertise required.

Industrial marketing research may be defined as the systematic, objective and exhaustive search for and study of the facts relevant to any problem in the field of industrial marketing.

According to Wilson (78), the work of marketing research can be said to embrace evaluating general business conditions and factors influencing the volume of sales and profits; determining the needs, both realistic and idealized, of the market in order to modify existing products and services or to create the new ones that will fit most profitably into the position of demand; estimating that demand and determining the most effective distribution methods for the products; analyzing the effectiveness of marketing methods, and their costs relative to meeting and increasing demand for goods and services; appraising the relative position of the firm in its industry and analyzing the reasons for improving or deteriorating performance; product research for existing products, and the development and introduction of new products or services.

In this section, we are concerned mainly with strategic industrial marketing projects. It has already been noted that today's concept of marketing research has a wide application, and should be seen as part of the total view of the marketing information system.

The steps in the methodology of research, described

in Figure III, will be discussed below.

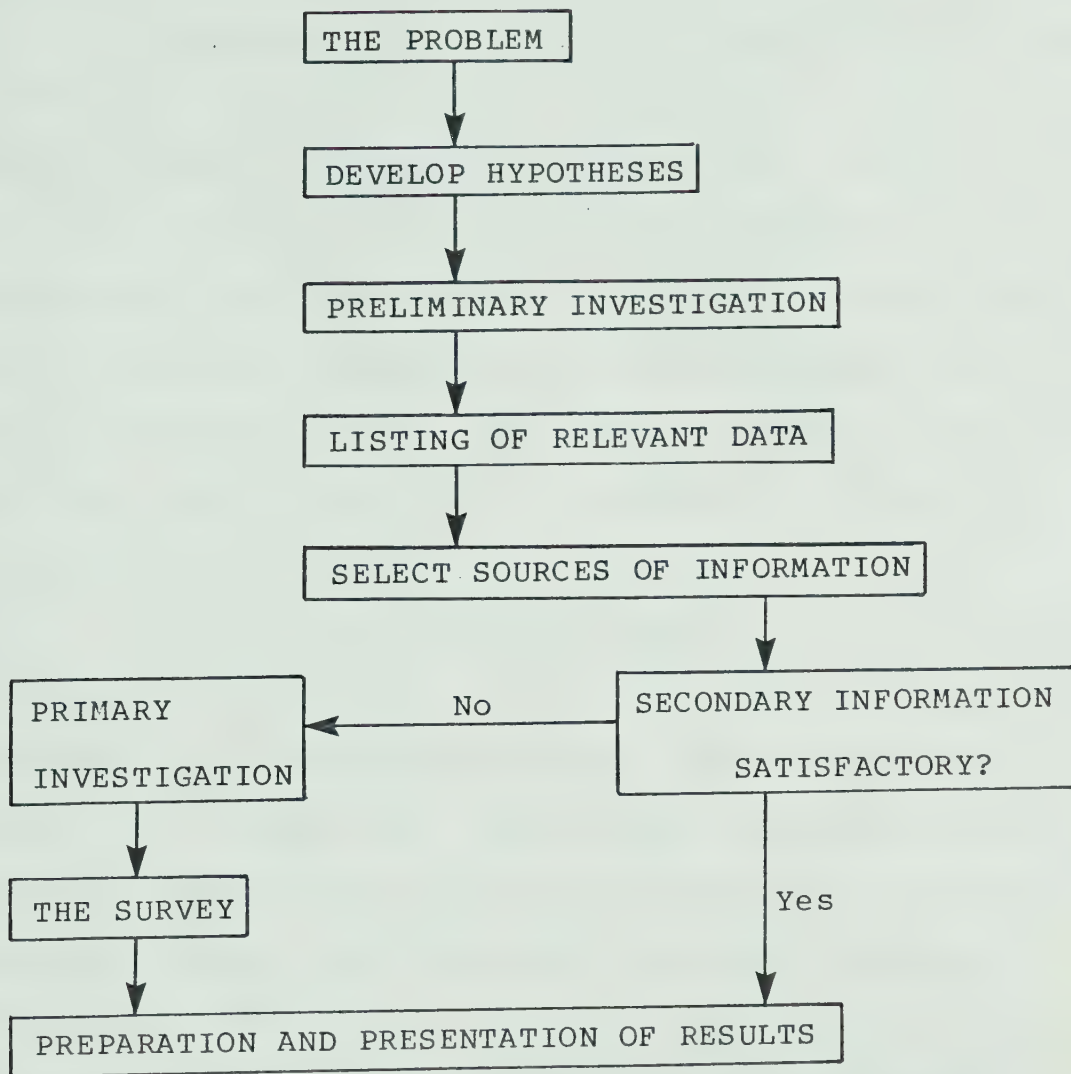


FIGURE II
BASIC STEPS IN APPLYING MARKETING RESEARCH
TO PROJECT INFORMATION STUDIES

The problem

Initially, the problem in marketing research is typically vague and ill-defined. This is for a number of reasons, many of which have been identified previously, but

not least of which is the manager's unwillingness to acknowledge that he has problems.

The proper formulation of the problem is the root of successful research, despite it being one of the most difficult tasks in the practice of marketing research. Adler (2) claims that if the researcher carries out studies dealing with very narrow problem areas, his findings will not fully meet the needs of marketing management. But if he goes to the other extreme, and examines general, abstract questions, his data may have no validity at all for a particular firm in a particular situation.

Problem definition must therefore be carried out carefully and objectively. A clear insight into the principles of the marketing concept, and its relation to the total system is required. Furthermore, the problem must be defined in terms of the corporate and marketing strategy of the firm. Unless this integrated approach to problem definition is taken, the researcher will not be able to fully appreciate the significance or impact of various conclusions or recommendations he may make.

Developing hypotheses

The hypotheses consist of possible explanations of the problem. The researcher develops alternative possibilities, which may also result in the need for further refinement of the problem definition.

Preliminary investigation

Many hypotheses developed above can be quickly

eliminated by discussing them with various knowledgeable personnel. In the preliminary investigation, new slants to the problem may be uncovered, which again may require further refinement of the problem definition.

Listing of relevant data

At this stage, it should be quite clear what data is needed for testing the various hypotheses. A formal schedule of the information needed to solve the problem, both quantity and quality, must now be drawn up. This ensures that adequate effort is put into the project and that irrelevant data are not collected.

Selecting sources of information

The next step is to determine whether secondary information is readily available from internal or external sources, and whether it is sufficient to solve the problem. This process amounts to a rigorous examination of the internal marketing and other information systems, of all relevant published material, and of any easily available opinion. Only after an exhaustive secondary enquiry has been made should the research turn to the generally more expensive techniques associated with primary research.

Primary investigations

On a subject as complex as marketing research surveys, whether personal interview, mail or telephone surveys, one is fortunate to be able to present in the

Appendix II a "short course in the area of survey techniques" in a matter of a few pages. This is quoted from Crisp's classic volume of marketing research (21). Primary market research surveys basically involve principles of questionnaire design, sample size selection and design, interviewing, analysis, and accurate, objective reporting, all of which have been undoubtedly expertly summarized under the eight questions of the Appendix.

The major aspect of primary research techniques is designing a methodology to obtain the prescribed accuracy and other characteristics of the information required. In general, the more accurate the information needed, the more sophisticated the survey design.

Industrial marketing research surveys are commonly the personal interview type, although telephone and mail surveys are also popular. One of the problems of the personal interview survey is that there is often a lack of interviewers who have knowledge of the industry being investigated. However, many surveys are of such a scale that they can be conducted by one individual; alternatively, the consultant will typically hire industrial specialists to conduct the interviews.

Sample design is also often difficult in industrial marketing research, because in many cases total sampling frames are not available, and the consultant has either to attempt to compile his own frame, or to use a generally less accurate, non-probability sampling method.

Since industrial demand is often monopolized by a few large firms, it is usually advisable for improved accuracy to use stratification procedures, thus complicating the statistical analysis of results.

In many cases, probability sampling is not possible, or too expensive, because of the lack of suitable sampling frames, and the researcher must resort to non-probability sampling, that is quota or arbitrary selection sampling. Non-probability sampling is no less complex a procedure, but an understanding of probability sampling will aid the researcher in the technique. The accuracy of non-probability samples cannot be measured statistically.

The risk of bias, particularly researcher bias, is often not sufficiently appreciated by those who use non-probability samples. It is also noteworthy that some researchers, in-house expert or external consultant, conduct "primary" surveys without the use of sampling techniques at all. These surveys are basically secondary types, involving an attempt at validating various opinions that have been collected through crosschecks with known data.

Industrial marketing studies for marketing strategy purposes will often require primary investigations of fairly high accuracy, since major investments may result from them. Thus, a high degree of survey expertise is required, and probability or population sampling would be desirable. There is considerable truth in Brand's (16) statement that "it is obvious from the techniques involved

that industrial marketing research is no area in which the amateur can dabble or a dilettante play without grave risk of serious damage."

THE IN-HOUSE INDUSTRIAL MARKETING EXPERT

We may assume for our present purposes that the use of in-house marketing experts involves marketing research in some form. Most industrial manufacturers using marketing research do so internally, while occasionally employing outside consultants to supplement. Many firms conduct unorganized marketing research in the everyday process of decision making. The marketing research function may also be conducted slightly more formally by marketing personnel filling in spare time or by the function being conducted by a committee. However, our interest lies in those industrial marketers who conduct specific marketing projects of a strategic nature, which are not capable of being supplied by the on-going marketing process. How and where this internal expert function is integrated with the total organization is a controversial one.

The organizational location of the in-house expert has an effect on several functions of the operation:

1. scope of research activities
2. efficiency of the operation
3. quality of work
4. stature and use of results.

(Blankenship and Doyle, 13)

Certainly, an expert individual or group placed low in the organization would be ineffective at the corporate decision making level. Since strategic planning is the function of top management, the experts involved in supplying unbiased advice have a stronger case for high level reporting than do other functions making these same claims. The supply of information at the strategic level would therefore be some form of staff position or assigned divisional status with rank on a par with other important second echelon executives.

Generally then, the staff expert has expertise in problem solving, and is best utilized in complicated and significant questions of general management. However, problems arise which can be reduced, according to Baldwin (12), by following the following five principles:

1. Begin each consulting assignment when the line managers are ready to begin. That is, allow the line managers to take the initiative.
2. Build on success achieved in the first project in order to make feasible more ambitious projects later on.
3. Share control with line management.
4. Share knowledge with line management.
5. Unify internal staff consulting effort.

By nature, internal advice supply has problems which are similar to those of external consultant advice,

in varying degrees. These common problems will be discussed in the next chapter.

It has been argued that the use of internal experts reduces the costs of supplying advice. Industry Week (50) quotes a consultant who claimed "in general, internal consultancy seems to be less than sixty percent of the cost of external consulting for the same type of assignment performance". Cost is obviously a factor to be considered, but where the level of cost for external advice is small compared to the amount of money which will be invested as a result of that advice, the cost factor may be overshadowed by other factors.

Primary industrial marketing research, the fundamental tool of the expert, does not require a large and costly organization as does consumer market research. It is unlikely therefore that there could in general be a strong argument in favour of employing an outside consultant on cost grounds. In an organization which has a limited demand for expert advice, the use of an internal expert could still be efficiently undertaken by assigning him to other tasks or organizational divisions, provided his independent orientation is not hindered.

Wilson (78) summarizes the in-house expert question nicely.

"None of the foregoing is intended to imply that there are not considerable advantages in undertaking the research internally.

"First, there is the familiarity of the researcher with the firm, its products and the personnel involved.

"Second, there is the probably unlimited access to technical know-how within the company.

"Third, there may well be a considerable volume of information which can be yielded from internal data which it would not be considered advisable to release to any external personnel.

"Fourth, 'natural' sampling lists in the form of return guarantee cards, customer analyses, inquiries, shareholders and suppliers may exist.

"In deciding between 'do it yourself' and the specialist agency, it is necessary for all these considerations to be taken into account. Just as with the marketing research itself, decisions should be taken objectively; the criteria for a decision should be a comparison of the internal department and the external agency in relation to the resources available, the time required for completion, the cost of the projects and, of course, the research objectives themselves."

What is important at this stage, is that in this chapter it has been shown that there are areas of demand for industrial marketing information which cannot be supplied efficiently by the on-going marketing process, particularly at the corporate planning level. The marketing strategist needs information which is not generated automatically, often in an information project form. This special information demand has been defined as advice need.

In the next chapter, we will take a closer look at the internal expert versus external consultant dilemma.

SUMMARY OF THIS CHAPTER

In this chapter, the supply of information to the industrial marketer has been described, and the general areas of expert or consultant advice have been detailed. It has been shown how the information project, associated with advice supply, is integrated into the marketing information system at the corporate level. The techniques of industrial

marketing research, the fundamental tool of the expert or the consultant, have been briefly outlined. Finally, the chapter examined the organizational and other factors of advice supply in respect to the in-house expert.

The next chapter will be concerned with industrial marketing advice supply by the external consultant. It will also expand on factors to be taken into account in the internal versus external advice supply decision.

CHAPTER VI

THE EXTERNAL MANAGEMENT CONSULTANT AS SUPPLIER OF INDUSTRIAL MARKETING INFORMATION

THE EXTERNAL ADVICE PURCHASE DECISION

In Chapters III and IV, the nature and scope of the demand for industrial marketing information was described. In Chapter V, the general supply model, and specifically the internal supply of information for the industrial marketer was explained. In this chapter, the efficiency and problems of the supply of advice by the external management consultant will be examined.

The distinctive factor in the decision to buy external research services or utilize the internal research department is more the nature of the work to be carried out than the cost of the research. If the bulk of the research is of such a highly confidential nature that no suspicion of the sponsor's identity can be permitted, or if it involves specialized techniques and resources which an internal department does not have, then clearly, outside agencies must be resorted to. At the other extreme, work that does not require the anonymity of the sponsor or routine enquiries can often be more profitably undertaken internally, given sufficient work load.

The process of purchasing external advice usually starts when a company feels it needs information and advice not attainable by the normal marketing process or from its own internal experts. An approach is made to the firm's usual consultant, or to a number of consultants, normally with a request for a proposal to undertake the project.

After one or more meetings, the consultant will submit a proposal to the purchaser which will normally contain many, although often not all, of the following elements:

1. Background to the study.
2. Statement of the problem.
3. Project objectives.
4. Approach to be used.
5. Scope of the project.
6. Methodology, including draft questionnaire if appropriate.
7. Timing and cost.
8. Statement of competence.

The more competent consultant will also include details of:

9. Expected yield, problems involved and accuracy.
10. Details of qualifications and experience of staff employed by the firm.
11. Definitions to be adopted.
12. Liaison procedures, for example on-going contacts and reporting procedures.

In the next chapter, where a procedure for optimizing client-consultant relationships is developed, the content of proposals will be discussed more fully.

After considering the proposals, and possibly after further discussions, the purchaser enters into a contract with one of the consultants to carry out the project.

The study is then undertaken, and the consultant submits his report with conclusions and recommendations. In most cases the report is submitted formally, and is often discussed at a meeting of all concerned when the consultation ends.

How the advice of the consultant is integrated with the industrial marketing process will be discussed in the next section. This is followed by a descriptive examination of specific areas where a consultant may be in a position to supply advice.

INDUSTRIAL MARKETING AND THE CONSULTANT

In the previous chapter, it was shown that the industrial marketing strategist normally calls for advice in the form of project information. If the internal expert cannot supply that advice, the strategist must turn to the external consultant. Alternatively, the strategist may call on the external consultant for other reasons, as previously discussed, despite the availability of an internal expert.

Once the industrial marketer has hired the consultant, a client-consultant relationship exists. The success of that relationship is dependent on very many more factors than simply solving the client's intrinsic problem, as has been shown in previous chapters. In the final analysis, to achieve success, the client must be satisfied that the job was done well, and this implies the complex goal of managerial acceptance of the consultant's report. Managerial acceptance can only be obtained by integrating the consultant's advice into the marketing and other information systems of the firm. Since the information network provides the communications which activate the total operation of the firm, it is necessary to ask how far the previous concepts and processes of general business are pertinent to the nature and efficiency of the external consultant's advice.

The Consultant and the Marketing Concept

Some practising industrial marketing consultants have little or no knowledge of marketing theory, nor sufficient experience in marketing to have gained a perspective of the marketing concept.

The competent consultant, however, will have a good background in marketing theory and will be sufficiently familiar with concepts and terminology to be able to not only gain insight into various aspects of a marketing problem as proposed by the client, but also express himself

clearly in terms which the client will understand. Just as the marketing concept must be pushed into every nook and cranny of the internal organization, so must it be pushed on to all who seek to influence that organization.

The Consultant and the Systems Approach

How the consultant's advice is integrated into the information system of marketing has been shown in a previous chapter. But the marketing information system is only one subsystem of many in the organization. To be effective, therefore, the marketing consultant must not only understand the complex marketing information system, but must also appreciate and master the intricacies of the interrelated systems. The problem is made even more complicated where internal managers themselves do not understand their own systems.

To be able to influence the organization, the external consultant should be able to determine at least the key subsystems and their interrelationships. In an organization producing custom-built, high technology, capital intensive products, for example electron microscopes, the technical department may override all other subsystems, including marketing. In this case, the consultant would need to be in a position to influence decisions of the technical department. Indeed, in practice few industrial organizations are truly marketing oriented, and an external

consultant, if he himself is not conscious of the need for systems approach thinking, finds it difficult to identify the key subsystems, let alone judge their relative influence over the total decision process.

The factor of the systems approach is an important one. The consultant must get to know the system. He can try to do this by asking pertinent questions, although he must be careful not to give the impression he is prying. All questions therefore have to be well motivated so the purchaser will not get the impression that the consultant is slow to grasp the problem. To a certain extent, the internal expert is more capable of identifying the subsystems because of his first-hand knowledge of the firm. The often-stated disadvantage of using external consultants, that the lead time for problem definition is a lengthy and costly affair, particularly where more than one consultant is being asked to bid on the job, is a valid one, considering these systems problems.

The Consultant and Corporate Marketing Strategy Formulation

At the corporate level, our concern is strategic planning. The industrial marketing strategist, in the long term, as a member of top management determines and analyzes product-market scope, growth vector objectives, competitive advantage and synergistic effects. In developing specifically the marketing function aspects of the strategy,

he selects target markets and formulates a marketing mix strategy. In practice, some firms do not engage in formal planning, or confine planning only to short-term budgeting. Firms in this category have a demand for external consultant project information, since it is a convenient way to obtain advice. However, because of the ill-structuring of the planning process, problem definition by both marketing management and the consultant is even more complicated. As has already been suggested, the problem definition phase of the project information demand is by far the most important. Thus, when the problem is ill-defined, the project also has an ill-defined purpose which could result, once completed, in quite meaningless conclusions.

In the case of the firm which does formal strategic planning, problem definition is somewhat easier. Here, the strategic planning process almost automatically uncovers areas which need investigation by project information, which could be handled by the internal expert or external consultant. The relative ease of problem definition results from it being possible to more closely define the scope of the project and how the project is integrated with the total process.

Generally, then, the more formal and effective the strategic planning in a firm,

- (i) the more concise the problem definition for project information and advice needs,
- and (ii) in all likelihood, the less demand for industrial marketing advice anyway.

The fact that project information studies are an integral part of strategic planning has important ramifications for client-consultant relationships. The importance arises because unless the supplier of advice is intimately aware of the background and relationship of the project to the total planning approach, including internal information which could be useful, he is unlikely to be able to grasp the full significance of it. The need for the client to give the consultant all information which could possibly relate to the problem creates difficulties, either because the client really has not got the information in a form suitable for the consultant to examine it, or in many cases has no internal backup information anyway, or is unwilling to divulge certain facts lest they get into competitors' hands. A further hidden reason for withholding information is to use it as a check to see if the external consultant has carried out his project properly.

If the internal advisor is involved in certain aspects of strategic planning, many of the above problems are overcome. However, an anomaly of the situation is that the more his involvement, the less objective he will be, which is still an essential requirement of project advice. If the internal advisor is used in the capacity of an expert in the methodology, but leaves the actual planning to line management while still keeping his finger on the pulse of the business, he may be the best source of advice on project information. One of the intrinsic problems with all high

level internal advisors is the unwillingness of top management to be perfectly frank with them, since it may reflect incompetence in the advisor's report to other members of top management.

The external consultant can provide objectivity, but the effective use of one requires that he be put completely in the picture. That is, all information he requires must be supplied, and no information should be withheld to preserve confidentiality or to check on his work. The consultant, for his part, must have the breadth of knowledge of business to be able to readily recognize the real problem at hand. Only in this manner can the consultant properly be of service in the total planning situation. Unfortunately, whether the consultant is capable of absorbing and analyzing all the information he really requires, or whether the typical consultant has the enormous breadth of business knowledge needed to place the project in true perspective, is often a matter of speculation.

One of the fundamental elements of corporate and marketing strategy is the matching of resources with the environment. Therefore, unless the advisor is conversant with the resources at the client's disposal, he will probably be unable to give proper weight to various recommendations he might make. These resources include many intangible factors, such as technical or managerial competence, as well as the tangible financial and physical resources which have to be used in a manner consistent with

management's attitude to risk in the environment. The previous discussion on problem definition therefore applies here. Undoubtedly, the internal expert is in a better position to offer advice in this field than the consultant. It is for this reason that in practice, it may be necessary to limit the external consultant's capacity to offering pointed information only, rather than prescribing alternative courses of action. The alternative courses of action prescribed by the consultant may be too numerous, and each too conditional upon various resource availabilites.

THE CONSULTANT AND THE INDUSTRIAL MARKETING STRATEGIST'S ADVICE NEEDS

In Chapter IV, it was stated that the industrial marketing strategist's intrinsic information and advice needs could be classified into various levels of detail. In this section, the consultant's ability to supply these needs will be briefly discussed.

Supplying National Economy Level Information

The consultant is in a good position to be able to supply meaningful information on the state of the national economy. The better consultant has had a grounding in economic theory and would normally take an active interest in trends of the economy. As a matter of course, he will have most relevant statistics on file, and will have a

general overview which pervades his approach at lower levels of information demand. This is a highly desirable feature of most strategic information.

The internal expert undoubtedly may have a similar outlook, although as he is probably experienced in only one industry, he may take a slightly narrower view. He may also have the most important national economic statistics available, and keep up to date on various economic reports which normally provide good interpretations of trends.

In practice, the use of national economic trends in developing strategy is more subtle than looking at the statistics and projecting them into the future. The strategist uses it insofar as he has a feel for the economy, and as this feeling influences all strategic decisions. Because of this, it is doubtful whether the advisor, internal or external, could supply direct, meaningful, influential information to line managers in this isolated field. In order to get the strategist to take account of national economic trends, one approach might be to encourage him to take an active interest in the field by supplying him with financial press publications and regular summaries of the state of the economy.

Supplying Industry Level Information

The advantage of the consultant in supplying the industry level of information is that he typically will have

had wide experience in industry analysis. He is capable of identifying and interpreting broad trends in an objective way. The objectivity of his view is particularly useful in inter-firm comparisons, the analysis of competition, growth and profitability, structural trends, and opportunities and threats facing the industry. The findings of an external consultant have often astounded management. That is, the consultant may be able to demonstrate that management's preconceived notions regarding the general operation of the industry are quite different than is actually the case.

One of the major failings of outside consultant advice is that it often neglects the role of technology in industry analysis. Forecasting technology, or even understanding the technological innovation process in certain industries can be so complex as to need special expert attention. Such industries would include chemicals, scientific instruments, aerospace, electronics and computers. To overcome this, the consultant will often employ technologists to assist the study. A point worth making, however, is that the need for objectivity is just as important in technological forecasting as in other areas of industry analysis.

The internal expert normally has more objectivity than the line marketing strategist, but seldom is in a position to match the external consultant's objectivity, because firstly his opinions have already been conditioned by opinions in his own firm, and secondly he is subject to

internal pressures which limit his ability to be truly objective. This limiting of objectivity can be countered by the internal expert's intimate knowledge of the industry. In a structurally and technologically complex industry, it may be worth forfeiting objectivity for deeper insight into the present state of the industry.

The problem of the non-objectivity of the internal expert's opinion is partly overcome by the proper use of primary marketing research techniques. If an internal expert employs external interviewers for his primary research, a good deal of objectivity may be instilled in his reports. It is doubtful whether this actually occurs in practice. The use of research methodology by the internal and external advisors will be discussed in a later section.

Supplying Company Target Market Level Information

Identifying opportunities and threats facing existing product and market targets, and locating new opportunities in other products and market areas is a major phase in strategy development. At this stage, the strategist attempts to balance the conflicting aims of objective fresh thinking and the need to limit ideas to the boundaries prescribed by the overall corporate objectives.

In calling on the external consultant to supply advice on target markets, the strategist enjoys the advantage of fresh thinking, but has to bear the possible

consequence of advice inappropriate for the corporate strategic posture. It is doubtful whether is it possible for an outsider to fully understand corporate objectives, particularly where the company has not properly defined them. However, the consultant can often raise points which provoke management into reviewing target market decisions. The internal expert at this level of strategic information needs may provide sufficient objectivity, and knowledge of corporate objectives, strengths and weaknesses to undertake the function more effectively than the external consultant.

Supplying Marketing Mix Level Information

The marketing mix level of detail encompasses product, price, physical distribution and promotion policies. At this level, the total strategy probably requires most integration, and it is for this reason that the line strategic planner will call for advice mainly to test hypotheses.

Having passed through the target product and market identification stage, the strategist needs advice on proposed initial strategies for new products and market segments. That is, where the growth vector is of the form of product or market development, or particularly in the case of diversification, advice on marketing mix strategy may be required. However, where market penetration is the immediate aim, decisions are made at a tactical rather than

a strategic level, and outside advice is probably not appropriate.

Testing of hypotheses, for example that demand for product x will be y units at price p with promotion q and distributed through channel c , is a fairly straightforward process in that the interpretation required is of a form which is not significantly influenced by the position of the individual carrying out the test. So long as the researcher has the necessary expertise to test the hypothesis, there is probably no reason to suppose that incorrect conclusions would be made. It would perhaps be easier, all things considered, to conduct the research internally if possible.

OTHER FACTORS IN THE CLIENT-CONSULTANT RELATIONSHIP

Purpose of Advice Demand

In Chapter IV, it was suggested that management may call on consultants for prestige reasons, to scare off competitors, to provide reassurance or credibility, or to arbitrate. It cannot be denied that some spin-off effects do occur in hiring a consultant. However, whether the spin-off effect in fact has the desired result, or whether there is not some less expensive way of producing the result should be considered.

Where consultants are not employed on genuine projects, the whole consultation may backfire. Certainly

the consultant cannot be held responsible for failing to arrive at the "proper" solution to the phony problem, or for failing to produce the ulterior results expected by the client.

In the case of the innocent withholding of information on the purpose of the study, for example, where the client does not think it is the consultant's business to know that the study is intended to provide the marketing director with an independent weapon in a boardroom confrontation, responsibility for failure to produce desired results can probably be divided between the client and the consultant. The consultant is to blame for not delving more deeply into the background of the project and explaining to the client that he needs all the information on it to enable him to place his report in the correct perspective. The client is answerable for the fact that he is making a contract which will provide information upon which critical strategic decisions are to be made. The least he should do before purchasing advice is to ensure that he has given the consultant all the facts, and let the consultant decide what is relevant and what is not.

A firm's information system "provides information for planning, activates plans, and furnishes the essential feedback information necessary to achieve stability through control" (Murdick and Ross, 60), but is plagued with problems of information disappearance, delay and distortion.

By its very nature, the external management

consultant's report is probably subject to less internal information problems than the internal expert's. In producing his report, the consultant normally has no axe to grind and gives a true representation of the facts. On the other hand, the internal expert's message cannot possibly have the same sort of impact because of his on-going position in the firm.

Managerial Acceptance of Conclusions and Recommendations

The provision of unbiased independent information does not necessarily lead to the correct management decision; conclusions and recommendations may not be accepted, no matter how inherently valid they are. In practice, the managerial acceptance of conclusions and recommendations of the advisor is an overwhelming criterion in the evaluation of external consultant and internal expert alike.

Sirota (69) discusses managerial acceptance of the findings of consultants, saying:

"one reason for management's disregard of findings is the likelihood that the findings may oppose preconceptions. The principle involved here has been neatly stated: 'One of the privileges of power, perhaps an overlooked one, is the privilege of insensitivity to the negative attitudes of others'.

"On the other hand, however, some managers recognize the value of opinions contrary to their own. They realize that most companies have the ability to handle problems, if they only learn about them soon enough."

The acceptance criterion has a profound influence

on the efficiency of sources of advice supply, and most of all on the whole approach used by consultants, particularly where a consultation involves making specific suggestions for courses of action.

The most noticeable reaction by consultants to the above is their bolstering of the intrinsic criteria of the problem by extrinsic factors from the first moment of contact with the client, in the hope that this will provide the certainty necessary for proposal acceptance.

In the pre-purchase phase of consulting, obviously the truly professional approach for the consultant is to market his services on the basis of understanding the buying firm's problem. However, as a leading author on the subject of marketing of professional services (Wilson,79) states:

"failing professionalism in buying, the seller (consultant) is forced back to an extrinsic or semi-extrinsic selling role. The first sign of professionalism is to resist this necessity so far as it is possible to do so by concentrating the marketing effort on the substantive problem to be solved. However, it will be necessary on many occasions to sell extrinsically, and the mix of persuasion by method, persuasion by personnel and persuasion by success story has to be applied with considerable skill and sensitivity during the buying process."

The lack of professionalism in buying results most likely from both the failure to clearly identify the problem and the fact that extrinsic buying forces are invariably present. These extrinsic factors originate with far-sighted top management executives who seek to encourage the consultant to produce a document which supports a particular

point of view. The seasoned consultant can give many examples of the executive who, in the negotiation stage comments something to the effect, "if only I had some evidence to show them ...".

The fact that it is apparently so difficult for a consultant to produce advice acceptable to management would suggest that a marketing strategist seeking advice should obtain it from his own internal expert.

The internal expert, while scoring low on objectivity, may through greater understanding of factors which lead to managerial acceptance and decision success, achieve greater implementation success than the external consultant. The more the internal expert is involved in line management decisions, however, the more susceptible he will be to line management pressures.

Post-Evaluation of

Advice Supply

The post-evaluation of advice supplied by the external consultant is difficult because it is hardly ever possible to check the results. In fact, as far as is known, no-one has produced an effective method of consultant post-evaluation in the industrial marketing research field. In this thesis, the approach taken is to attempt to arm the marketing strategist with as much information and as many decision rules as possible relative to dealing with the external consultant. In the next chapter, the four-step

procedure developed will prescribe:

1. areas where the external consultant is inherently in a better position to supply advice
2. selection procedures which minimize the problems of advice supply
3. evaluation procedures during the study to ensure it is being carried out properly
4. certain post-study evaluation checks.

Evaluation of advice supplied by the internal expert has the same difficulties as the evaluation of consultants, except that since the internal expert is an employee of the firm, his activities are possibly more readily observable. This is probably a deterrent to undesired behaviour.

ADVICE SUPPLY METHODOLOGY AND THE EXTERNAL CONSULTANT

The external industrial marketing consultant will normally supply advice in the form of project information, and for this, invariably requires an intimate knowledge of industrial marketing research techniques.

The established consulting practice is usually in a good position to conduct either primary or secondary research from a methodology point of view. The group would normally have collected many volumes of secondary information over the years, and through considerable experience

in the use of data, have a clear perspective of the limitations of such data. Furthermore, the external consultant is in an excellent position to conduct independent primary research, without divulging the name of the client if necessary. Respondents in surveys will often talk freely to a consultant in confidence, whereas an approach by a party with a vested interest in the survey will get much less co-operation. The need for frankness in interviews is particularly important in industrial marketing research, because unlike consumer research, most interviews are only semi-structured, and the interviewer relies heavily on the respondent to offer information with as little prompting as possible.

Industrial marketing research does not generally involve large support staff, and the typical project could be undertaken by one man. For this reason, from the organization and cost points of view, there is little reason for the average firm not to use its own internal expert to supply marketing advice, particularly if his time can be fully employed. While use of the internal expert has methodological disadvantages of non-confidentiality, some limitations in the interview situation, and the loss of complete objectivity, the advantages include knowledge of the technology and industry, and having to service respondents from the marketing activity anyway.

The case of the very small company is perhaps a special one. Here, there are strong natural arguments which

favour the use of the independent consultant (Shay, 67):

1. "The smaller company is less able to maintain its own permanent staff of specialists, and a project can be undertaken by a consultant on a temporary and more economical basis.
2. "The consultant has the advantage of experience in solving similar problems for both large and small firms, thus giving the smaller enterprise advantages not otherwise available to it.
3. "Management consulting fees bear a natural relationship to the size of the business and complexity of the problem. Consequently, in terms of cost, the smaller concern often benefits proportionately more from consulting assistance than the large corporation."

Appendix III lists six broad headings which discuss the pros and cons of employing external consultants.

SUMMARY OF THIS CHAPTER

In this chapter, the characteristics of advice supply by the external industrial marketing consultant have been described. This was done by examining how the consultant's advice is integrated into the planning system and process, and by showing how various advice needs may be supplied. Throughout the chapter, comparisons were made between the external consultant and the internal expert as supplier of advice.

In the next chapter, the conclusion of this thesis will be presented in the form of an optimizing procedure for the effective use of industrial marketing consultants. The chapter will suggest areas where a consultant can or should be used, and prescribe methods of selecting, working with and evaluating external management consultants to ensure they are used efficiently.

CHAPTER VII

PROCEDURE FOR OPTIMIZING CLIENT-CONSULTANT RELATIONSHIPS

THE FOUR-STEP PROCEDURE

In the first two chapters of this thesis, the problems in client-consultant relationships were introduced. Since client-consultant relationships are subject to numerous factors, it was decided to narrow the field and concentrate on relationships in the industrial marketing field, and at a level which involves strategic corporate decisions. Thus, in Chapter III the theory of industrial marketing, and particularly the strategic planning aspect of it, was presented. The following chapter defined the characteristics of industrial marketing information and advice demand. In Chapter V, approaches to supplying the advice were explained, while Chapter VI described the effectiveness of the external consultant as a supplier of advice.

The present chapter is conclusive in nature, and aims at prescribing an approach to be used by the industrial marketing strategist in projects which may be undertaken by an external consultant. By implication it will also describe the part that should be played by the consultant in ensuring the success of the project. Obviously, one cannot

provide a prescription for all firms, problems and situations, and this will not be attempted. However, the factors which must be taken into account in any client-consultant relationship, but which will in practice have widely different relative weightings in each individual situation, will be suggested.

If the following model is applied in the process of employing a consultant, it is contended that the problems of external supply of project information identified in the earlier chapters can be substantially avoided.

In the following pages, the discussion is divided into four steps in the development of the client-consultant relationship:

- I. The pre-contact step. This step covers the industrial marketing strategist's activities from the time he thinks he requires advice to the time he decides to make first contact with outside consultants.
- II. The selection step. This involves the procedures of selecting a consultant to undertake the project.
- III. The in-project step. In this step, the project has been commissioned, and the consultant is at work on the project.
- IV. The post-evaluation step. The advice has been given, and the client must evaluate and implement the recommendations.

STEP I - THE PRE-CONTACT PHASE

The basic components of this step are described in flowchart format in Figure IV. It is at this stage that the firm can save itself a great deal of time, effort and money. It is also in this phase that the basis for any future client-consultant relationship is developed. Therefore, this is a very critical step.

The typical industrial marketing problem arises from a signal in the industrial marketing strategy formulation process. This may be anything from new information on a technical breakthrough in an area which affects the company's products, to internal records showing that long-term trends are unfavourable.

A problem is signalled, but no-one is quite sure what it is. The first step then is to check the signal. Is it fact or fiction? Has the marketing information system broken down somewhere, that is, is there information delay, disappearance or distortion? This initial investigation might show that no problem really exists and a correction in the information system provides the solution to the initial problem signal. If no malfunction has occurred, then a real problem exists which must be defined. "Experience repeatedly confirms the fact that problems are rarely clear enough to act upon when they are first discovered." (Shay, 67). Therefore, the next step is to examine all the facts and figures needed to define the problem. This initial definition should delve into the origin and development of

STEP I - THE PRE-CONTACT PHASE

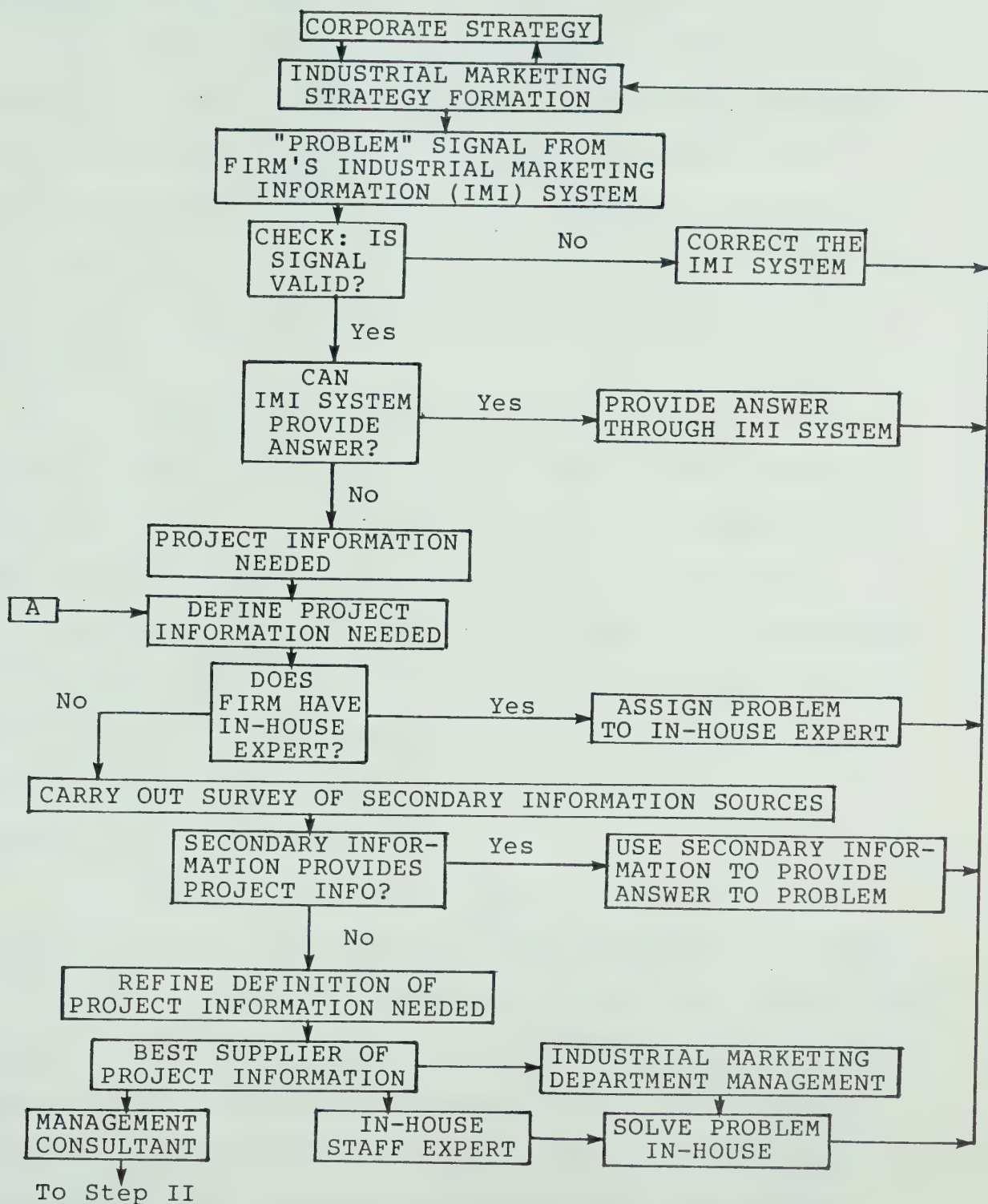


FIGURE IV: FLOWCHART SHOWING THE STEPS IN DEFINING THE NEED FOR AN EXTERNAL CONSULTANT TO, SUPPLY PROJECT INFORMATION.

the problem, and state why it should be solved.

Now a better perspective of the problem has been gained. It may be that the on-going information available to line management provides sufficient knowledge for a solution to the problem. Often the on-going information is not enough for the line manager, or at least he thinks it is not enough. This suggests that project information is required.

If the problems of the project are not defined at an early stage by the person who is most closely connected with it, there is a real danger that the true objective of the project will become progressively more vague as it proceeds toward solution. For this reason, it is essential at this stage for the line marketing strategist to fully and explicitly define the problem, project objectives and its setting before passing it on to the staff expert, if one exists, for his consideration.

The best approach to the next step is for the staff expert and line manager to work together in a survey of available secondary information to see if the problem can be solved this way. If a staff expert does not exist, the manager could undertake the survey himself with another member of his marketing staff. The importance of this preliminary study cannot be overemphasized; it may well provide solutions to the problem. It involves the study of all readily available information including a further look at internal data. The reclassification of available inter-

nal information can often produce new insight into problems.

The preliminary study will at the very least provide for redefinition of the basic problem, plus a basis on which to define the characteristics required of the project information as to:

- how it is related to the corporate strategy
- is it only information required, or is it advice on how to deploy resources that is needed
- desired level of objectivity
- accuracy and credibility rating for information
- timing requirements
- whether primary research is indicated
- degree of confidentiality required
- level of expertise required to solve problem
- cost limitations
- other factors which are influenced by the problem
- possible solutions.

Again, it is essential at this stage that problem definition be as formal and explicit as possible so that the original problem will not be lost sight of. It is on the basis of this fully developed internal statement that top management can now decide the best source of information or advice.

At any stage of the process up to now, it may be

found that the problem is not an industrial marketing one; for example, it may have been identified as a personnel problem, in which case it is in a sphere outside the frame of reference of this thesis.

However, several complex interrelated principles are involved in the decision on whether or not to employ an industrial marketing consultant. These may be grouped into three classes: intrinsic principles, methodological principles and extrinsic principles.

Intrinsic principles: intrinsic principles relate to aspects which are inherent in the problem to such an extent that to ignore any one of them provides no solution to the problem. These principles may be summarized as follows:

1. Consultants are best employed to provide passive information at the industry level for the strategist's needs. They are also well equipped to provide such information at the national economic level.
2. At the company target market level, the principle is more complicated, but as a general rule the consultant can provide useful information if requirements are well defined beforehand. The advice will seldom be sufficient to take all major decisions at this level, and should be received with due caution.
3. External consultants, however, are generally not in a suitable position to supply advice at the

marketing mix level as previously defined.

Decision making here is usually too dependent on internal factors for a consultant to be able to make a meaningful contribution.

4. In general, consultants are not in a position to suggest courses of action of a strategic nature, because they are seldom capable of fully understanding the competence profile of individual firms and other internal factors, such as management attitude toward risk.
5. The more underdeveloped internal strategic planning procedures are, the more apparent necessity there is for outside marketing consultants, but the more difficult it is to adequately define project problems. The best use of industrial marketing consultants can be made when the planning process is sufficiently developed to properly define the project problems and thereby make effective use of the advice supplied. In the case of a poorly developed strategic planning system, a consultant may be better employed in improving the internal marketing information system.
6. The cost of hiring a consultant is normally an insignificant amount compared to the investment that will take place on the basis of information obtained from him. However, in practice it is always a significant factor where organizations

are production oriented, and where financial management is in a powerful position. In this thesis, the view is taken that the cost factor is only a consideration if other major factors for and against using a consultant are equal, provided that the consultation costs are relatively small compared to the level of investment that is likely to ensue from the advice so obtained.

Methodological principles: these principles often override all others because of the physical impossibility of taking a particular course of action.

1. Where the firm lacks the expertise to carry out the particular form of project information study, it must either employ a consultant to carry out the whole project, or employ a consultant to offer continuing advice on methodology, or employ a suitably qualified expert on a full time basis.
2. Where the technological content of the required advice is high, as a general rule an outside consultant should not be employed. However, if an outside marketing consultant specializes in the particular technology of interest, then naturally he could be approached. Alternatively, a firm lacking in knowledge of industrial marketing research methods may employ a consultant, and second to him a technical expert to guide the consultant on technical matters.

3. Where confidentiality is required in a primary research project, there is no real alternative but to employ an outside consultant. Firms should, however, avoid instructing the need for confidentiality if it is not necessary, particularly where the consultant believes he could carry out the project better if he were able to divulge the client's name.
4. Where objectivity of information is an overwhelming factor, the best source of advice is the external consultant. An internal expert can seldom provide complete objectivity. However, if organizationally placed in an independent location, he can supply a certain degree of objectivity.

Extrinsic principles: organizations are complex in structure and process, and unfortunately principles other than intrinsic or methodological are at play in the decision to employ consultants. The analytical approach to problem definition in project information prescribed in this section is designed to reduce the interference of extrinsic criteria; however, the criteria can never be completely suppressed, and it is necessary to take account of them.

1. In cases where there is likely to be widespread unstructured disagreement among top management on the outcome of a project, it is always advisable to employ an outside consultant to provide that information, but in such cases, top management

will normally agree on the necessity of an objective viewpoint.

2. Where the stands to be taken by top executives are predictable, and are in conflict, it is often better not to use an external consultant, but rather employ an independent staff expert who could present the project information in a manner which reflects understanding of all points of view.
3. Although the model developed here discourages it, a consultant can be employed by a single executive to provide credibility for his recommendation to other executives. In this case, if the consultant is aware that his objective is to provide credibility, then although this objective can be achieved, it is probable that the consultant's findings will be biased. If the consultant is not aware of this ulterior objective, the project could also fail; first, because the objective as stated by the client was meaningless, and therefore could not be integrated with the existing marketing information; or secondly, because the project advice now has a lower chance of managerial acceptance.
4. Similarly, consultants can be employed on various phony projects, for example for prestige, to scare off competitors, or to keep shareholders happy, with good effect so long as it is clear that such

consultations are of value only for precisely the real objectives for which they were undertaken.

5. Where an internal expert does exist, the tendency to automatically accept that he is the best source of project information should be avoided. It is essential to evaluate potential advice supplies on intrinsic grounds, even though staff-line relationships may become strained. Green (41) argues that "it is inefficient, and it can be extremely harmful to morale within the company to engage a consultant when the business already possesses members willing and able to handle the problems."
6. Line management objection to non-line interference is always a significant factor in later implementation phases of project information, but proper definition of the problem reduces the need for consideration of this factor in the decision on whether or not to employ consultants.
7. Sometimes the gathering of project information provides invaluable experience for the in-house expert where he exists. This is a factor to be considered, but in the strategic decision making area it is not a significant one, since the work of an inexperienced researcher may have inaccuracies which have serious consequences for the firm. Inexperienced in-house experts should be trained on tactical level studies internally, or seconded

to the consultant for the duration of the project. Similarly, where a project is likely to result in a significant amount of spin-off information which may be lost if the project is undertaken by a consultant, it would be wise to arrange for an employee of the client to work with the consultant on the project.

In summary, provided that the model for the development of client-consultant relationships described in this thesis is used, the conditions which favour the use of the consultant, as opposed to any internal source, are roughly in order of importance that:

- (i) there is a lack of internal expertise to carry out the type of project required
- (ii) the internal organization could not carry out the project on real grounds of required accuracy or confidentiality
- (iii) the project information is aimed at collecting passive industry level information rather than providing recommendations for strategic courses of action, or is aimed at interpretation of information at the national economic level
- (iv) the project information is intrinsically required to be unbiased, objective and have a high degree of fresh thinking content
- (v) top management agree, because of internal

conflicts, that extrinsic factors demand an objective viewpoint

- (vi) the technological content of the project information is not so intensive as to override all other major considerations, excluding the case where technically proficient industrial marketing consultants exist in the particular field.

Having made the preliminary decision that a consultant should be employed, the client passes to Step II in the development of a client-consultant relationship.

STEP II - THE CONSULTANT SELECTION PHASE

The second of the steps in the development of a client-consultant relationship is the company's selection of the consultant. Again a step by step flowchart approach is described in Figure V. This step is important because here the purchasing firm has to not only properly communicate its problem to a potential consultant, but also evaluate the consultant to ensure he is capable of solving the problem.

The first part of this step is to prepare a detailed statement of the problem, or request for proposal (RFP). This further statement of the problem and objectives expected to be fulfilled, is necessary because up to this point, details that seem obvious to the purchaser's personnel, but important to the problem, have been omitted from the statement. The writer of this RFP should prepare it remembering that it is going to a complete stranger to the organization.

STEP II - THE CONSULTANT SELECTION PHASE

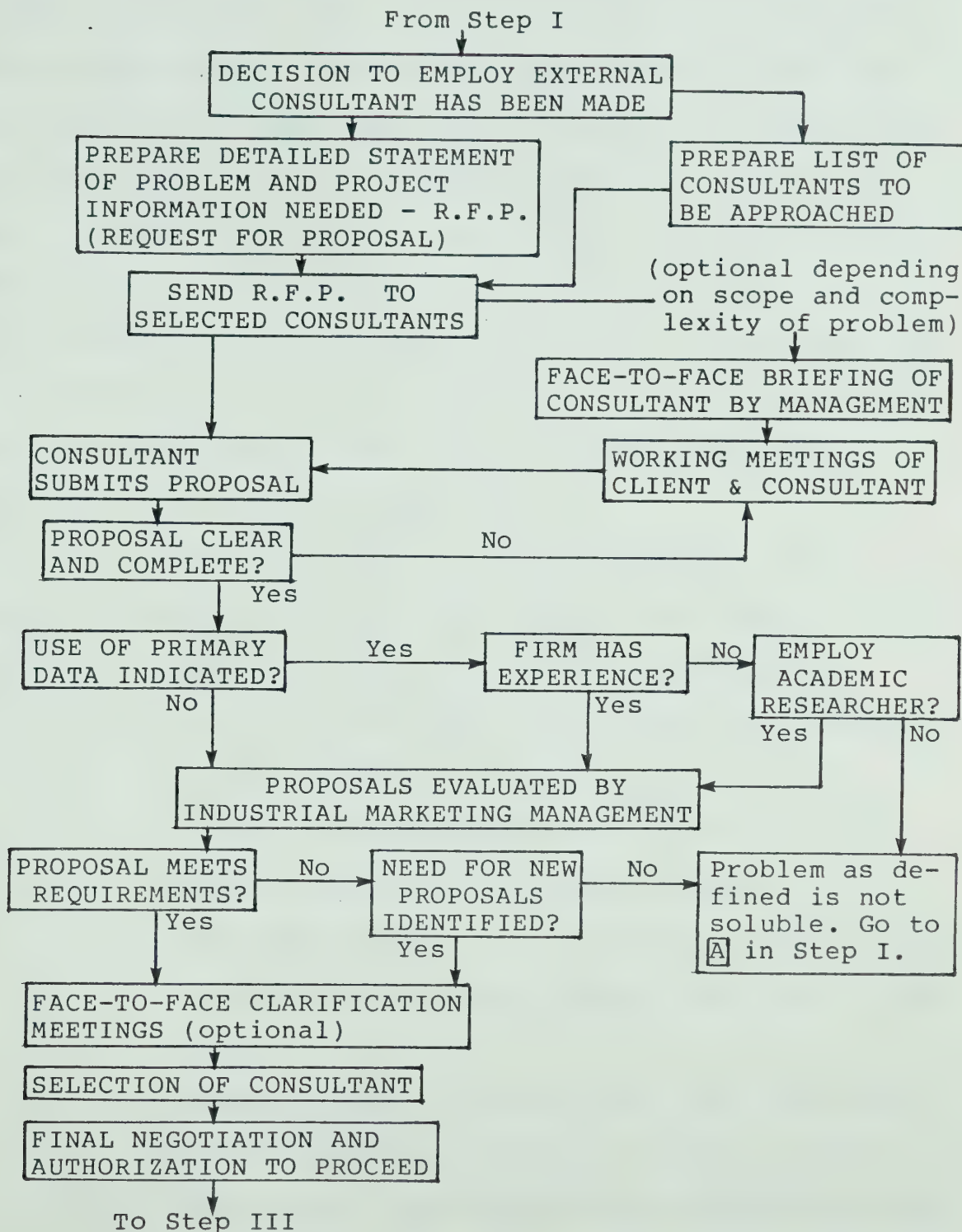


FIGURE V: FLOWCHART SHOWING THE STEPS IN SELECTING AND COMMISSIONING AN EXTERNAL CONSULTANT.

The background, origin and opinions on the problem should be noted in full, and must be approved by all members of top management. Furthermore, the RFP should state how the purchaser intends going about selecting and working with the consultant, and give instructions on what the consultant's proposal should contain. Proposal content is covered under the step asking "is proposal clear and complete". This document then forms the basis for the client-consultant relationship, and is also a clear, explicit company record of its presentation of the problem, against which the consultant can later be evaluated.

At the same time as preparing the RFP, the purchaser should be making a preliminary selection of consultants. Some general considerations which apply are:

- look for consultants which specialize in the firm's industry, and in any event in firms which have industrial marketing specialists with experience in marketing research
- establish whether any individual consultant in a consulting firm has special knowledge in your area
- approach only consultants who have sufficient staff adequately trained in primary research techniques. Such staff would be graduates with either majors in marketing research or holders of post-graduate qualifications in marketing

research techniques. Experience is not sufficient on its own, nor is a pure statistician or economist acceptable

- talking to university lecturers in marketing research on suitably qualified consultants could be useful
- avoid judging consultants on the basis of hearsay, whether complimentary or not.

The object is to draw up a shortlist of a maximum of five potential consultants which the purchaser is confident meet general capability requirements. Any more than five consultants would reduce efficiency by limiting the time available to spend with each. The purchaser is now ready to make a written approach to the consultants concerned. The firm sends the prepared RFP to the consultant with a covering letter which suggests that the consultant examine the document and set a date for a first briefing with top management, at which time the whole problem will be discussed.

It is essential at this first meeting that the particular individual who the consultant has designated to conduct the study be present. No other substitute is possible if the purchaser is to evaluate the consultant, or the consultant get to the root of any issues he wishes to raise. It would be useful at this meeting to allow the consultant to do most of the talking, so as not to implant

ideas in his mind, and also to begin to judge his capability.

From this point, the consultant deals with a designated agent of the purchaser, the internal expert if one exists, or a specially appointed independent officer. The consultant must be immediately placed in a position of trust and supplied with all the information he requires for proposal development. The consultant is naturally responsible for asking for the information he needs.

After the consultant has a clear idea of the purchaser's needs, he will prepare and submit a formal detailed proposal to the firm. The proposal should contain at least the minimum contents as specified by the client at the briefing.

1. Project background: A detailed account of the background to the study as the consultant understands it. This will indicate whether the project is in its proper perspective.
2. Problem definition: The statement of the problem, both the major problem and the numerous sub-problems attendant on it.
3. Project objectives: The project objectives should lay out exactly what part the project is to play in solving the problem. If the objective is to produce recommendations for action, it should state precisely that; if it is to produce passive information only, that should be stated too.

4. General approach: The general approach to be used describes in summary how the whole project is to be undertaken, and indicates how it will lead to fulfillment of the objectives.
5. Project scope: The scope of the project describes the coverage of the project, for example the segments, industries and areas to be covered, and also defines all major terms.
6. Research methodology: The methodology to be used must be outlined in as much detail as possible. If primary research is involved, a structured approach must be presented. The firm can protect itself considerably by insisting on detail in this section because it demonstrates the true technical ability of the consultant. Examples of detail required include:
 - type or combination of surveys to be used, e.g., telephone, mail, personal interview
 - who will be the respondents
 - details of pilot studies to be done, if any
 - sample types -- probability, quota, other
 - in probability sampling, the source of the sample frame
 - sample sizes, how samples will be taken
 - stratification to be used
 - questionnaire outline, if one is required

- details of interviewers if not the project leader, and controls to be used to eliminate bias.

7. Timing and cost: Various arrangements can be negotiated on the cost item. One method of fee determination is a percentage on commissioning, e.g., fifteen percent, and the remainder on delivery of the final report; a more usual alternative method is monthly progress billings.
8. Yields and problem areas: The consultant should be expected to suggest how far and how accurately information can be expected to solve the problem at hand. He should also be in a position to foresee problems, and these should be stated clearly.
9. Project personnel: Professional and academic details of the person who is conducting the survey should be supplied, together with the facilities the consulting firm has or can call upon to conduct the project. The purchaser should be careful of consultants who substitute this brief factual statement with flowery capability statements, typically containing references to studies conducted for other clients, and many years of experience which in fact are not related to the particular intrinsic problem at hand, or possibly even to the present consultant.

10. Reporting and liaison procedure: These should be laid down clearly. The consultation does not end on commissioning of the project. There should be a constant exchange of information on the progress of the project between client and consultant.

Although consultants generally prefer not to, it may be wise for the purchaser to ask the consultant for formal progress reports. The proposal should state how the final report will be structured, and specify that all contacts in the survey will be fully documented. It is also essential that the consultant be instructed to report all information gained, including problems arising, and on the confidentiality of the document.

Once the proposals have been formally received, they should be comprehensive enough not to require personal presentation at first. Management must have time to evaluate them.

Since this thesis prescribes an analytical approach to securing project information, it is a necessary condition that if the purchaser does not possess the expert knowledge of industrial marketing research techniques, he should acquire it temporarily, specifically and only to evaluate the methodological approach suggested in each of the consultants' proposals. An expert can quickly see whether a general approach is feasible, where the novice

would find it difficult. If the purchaser cannot approach a university lecturer or other expert informally on this matter, it would be worth asking a known, technically competent commercial consultant to provide assistance on a short-term, fee-paid basis.

Up to this point, the purchaser, if he is following the prescribed approach, has taken every practical step to ensure that his problem has been fully analyzed and communicated to the consultant. He has asked the consultant to prepare a proposal showing precisely his interpretation of the problem and how he could solve it.

If top management is satisfied that the methodological approach is feasible, the remaining criterion for evaluation is a judgment as to which consultant can provide the most meaningful contribution to problem solution.

Since the purchaser has carefully analyzed and defined his problem, and the consultant has been encouraged as much as possible to do the same, the evaluation of a consultant at this point is a much easier task than the case where the problem has not been analyzed and defined. There are far fewer factors to consider since most of the major failings of the client-consultant relationship have already been eliminated.

One or two proposals will normally be isolated as likely to contribute most significantly to objectives of the firm. These should be examined, preferably by a comparative

strength and weakness analysis of relevant factors to encourage rigour in the evaluation process.

It may be necessary for several face-to-face meetings between the remaining potential consultants and top management to seek clarification on some issues before a final selection of the one consultant to be commissioned on the study.

On selecting the consultant, the client may wish to negotiate on points which require review, such as method of payment or reporting liaisons.

In large or complex projects it is advisable that the legal implications of the client-consultant contract be examined before commissioning.

Finally, the purchaser offers the project to the consultant on the basis of his proposal. If the consultant accepts, the client-consultant relationship proceeds to Step III, the in-project phase.

STEP III - THE IN-PROJECT PHASE

This step, where the consultant has been commissioned to undertake the work, is described in Figure VI.

Once the project has been commissioned, client and consultant meet for the in-progress briefing. Here the client should be more willing to discuss issues which previously he may have wanted to keep confidential, and the consultant, knowing he is no longer in competition for the job, can afford to relax in order to get the utmost co-

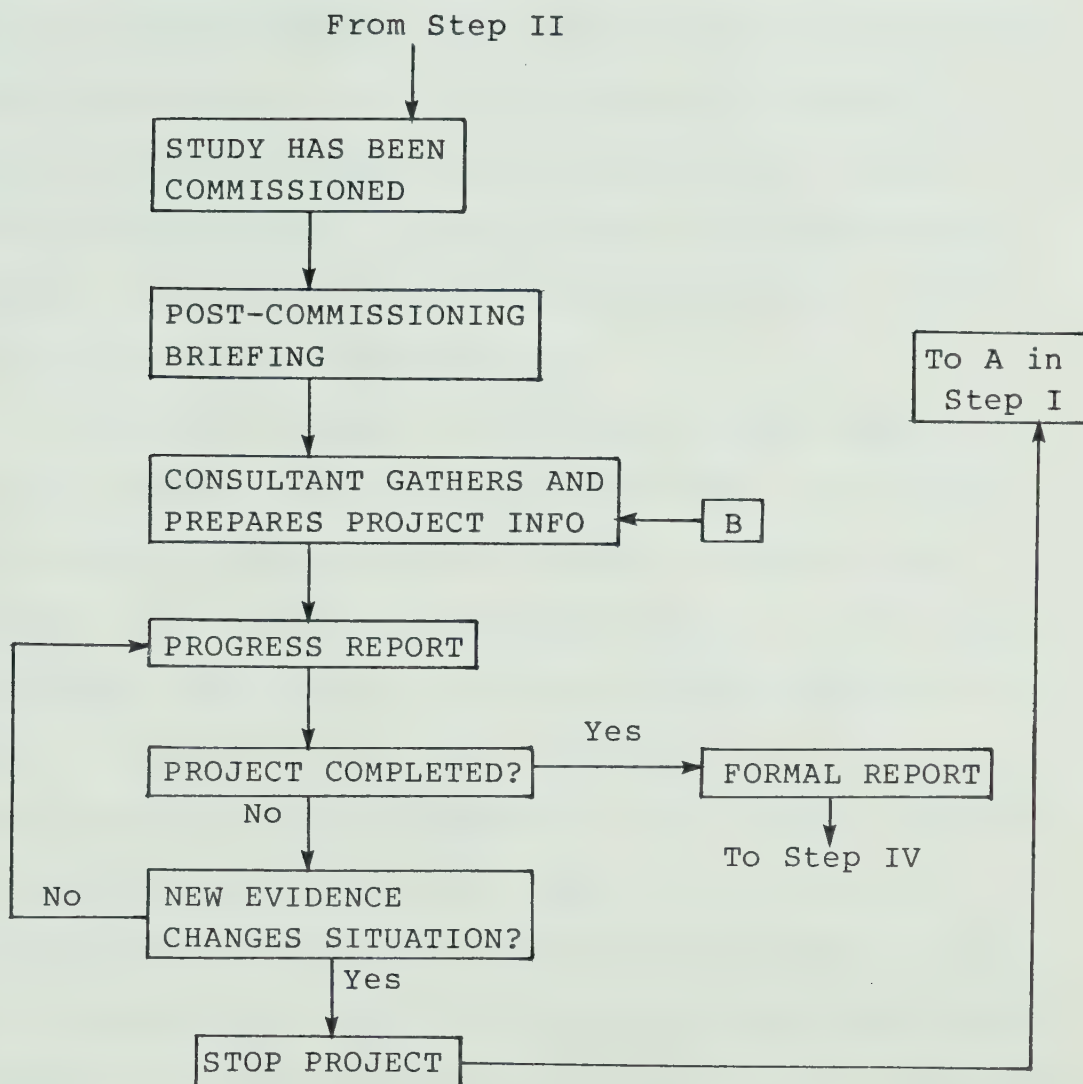
STEP III - THE IN-PROJECT PHASE

FIGURE VI: FLOWCHART SHOWING THE STEPS IN MONITORING THE CONSULTANT IN THE PROCESS OF CONDUCTING THE STUDY.

operation from his client. Indeed, the whole foundation of this phase is built on mutual understanding and co-operation.

The firm must keep a close watch on the project and insist on proper liaison throughout. Often new information is uncovered which places the problem in a completely different perspective, which then requires a further analysis of internal statistics and redefinition of the problem and objectives. In some cases, such information will result in discontinuing the project altogether before more money is expended unnecessarily.

Therefore, there is a conflict in this step between the need for flexibility and the need for purpose. A very skilled liaison officer is needed to ensure that flexibility is achieved without jeopardizing the fulfillment of objectives. There is a real danger of sub-optimization, whereby the consultant puts too much emphasis on sub-objectives and obscures the main purpose of the project. This is either because he has failed to grasp how the study is integrated with the corporate strategy, or because he is unable to obtain a solution to the main problem, and therefore deliberately suppresses it.

The other danger is that of the liaison officer attempting to influence the consultant's findings. This can be avoided by assuring the liaison officer is as independent as possible, and by employing a good consultant who has the

courage of his convictions. In practice, a good consultant is not susceptible to this kind of influence.

When the consultant makes his comprehensive final report, including a summary of the most important conclusions, the client-consultant relationship moves into the final post-project evaluation phase.

STEP IV - POST-PROJECT EVALUATION PHASE

The post-project evaluation step is represented diagrammatically in flowchart form in Figure VII.

The consultant's report must be comprehensive enough so that there is no need for a personal presentation of the findings at first, apart from perhaps a very brief summary. It is essential that the report content be examined to ensure that it complies with the original proposal. It should contain at least the following:

- background to the study
- definition of problem and survey objectives
- summary of conclusions and recommendations
- summary of approach, methodology and response rate
- detail of approach, methodology and response rate
- notes on the interpretation and accuracy of statistics used
- special environmental conditions which may have influenced results

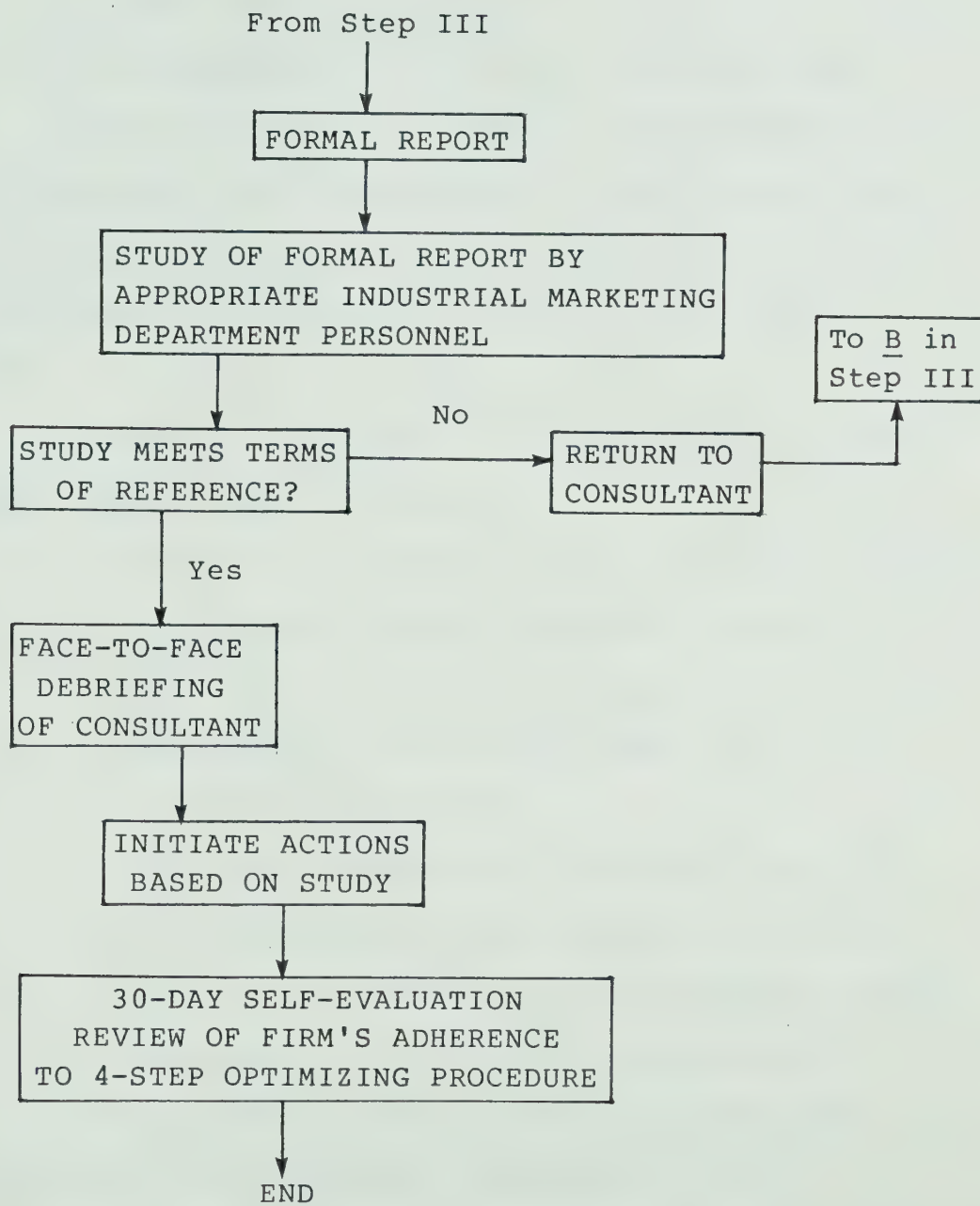
STEP IV - THE POST-PROJECT EVALUATION

FIGURE VII: FLOWCHART SHOWING THE STEPS IN POST-PROJECT EVALUATION OF THE CONSULTANT'S WORK, AND SUBSEQUENT CRITICAL SELF-EVALUATION OF THE FIRM.

- all sources of statistics and information, in detail
- the detailed report
- documented listing of all contacts made.

If the conditions laid down in the proposal have not been complied with, particularly if there was an inexplicable deviation from the proposed methodology, the report should be immediately returned to the consultant for explanation.

As part of this initial evaluation of the report, the client would be well advised to:

- check a small number of the reported contacts to determine whether they are genuine
- look up some of the consultant's published sources to judge whether they have been properly represented
- look for statements in the report which are not substantiated, for example, forecasts based on too few figures or forecasts without reference to qualitative information.

It is only through these rigorous checks that the client can begin to evaluate the consultant's work.

Before the high level personal debriefing of the consultant takes place, it is important that all those affected by the findings be given a chance to study the report in as much detail as they see fit. A debriefing

session is worthless unless management has studied the report, and thought about how far the findings have gone to solving the problem, and how they will be integrated into the corporate planning process.

At the debriefing session, attended by all affected management and the consultant who carried out the study, a formal presentation by the consultant is not recommended. The reason for this is that the client must break away from any bias in emphasis that the consultant may have. It is not possible for the typical consultant to be able to judge precisely beforehand what aspects of his report are the most significant for a particular firm. In the debriefing, therefore, it is up to the client to lead the consultant into areas which are of particular interest.

The debriefing session must involve frank discussion, but the degeneration of it into an arguing match between the consultant and management should be carefully avoided. Often certain interest groups will attempt to completely discredit the consultant because the findings appear to reflect badly on their work. A top executive should therefore be on hand to control the discussion.

Immediately after the debriefing, management must make the necessary action decisions. This will sometimes involve a request by the chairman of the meeting for certain groups to produce new recommendations on courses of action, on the basis of the consultant's findings.

After about thirty days, it is usually possible for management to reflect again on the whole project. Initial prejudices and problems have been sorted out and the consultant's findings have begun to have an effect on decisions.

The firm should now review the client-consultant relationship so that the problems encountered can be prevented on future assignments. If the relationship has been developed along the lines prescribed in this chapter, it is believed that the risk of failure to achieve desired results will be minimized. Appendix IV gives a suggested checklist format which can be employed at this step.

A critical self-evaluation of the firm's own part in the development of the client-consultant relationship is an essential part of the evaluation process. Indeed, the client will often benefit more from this than from attempting to evaluate the consultant directly.

Managerial acceptance of the consultant's conclusions and recommendations is the major indication of project success, provided that the conclusions are intrinsically correct. Acceptance of a poor report represents failure every bit as much as does non-acceptance of a good report. The model prescribed in this thesis is analytically based, in that the real objectives of the project are fully analyzed and defined beforehand by the management concerned. Therefore, the model should improve the probability of

management acceptance of intrinsically correct advice.

However, the consultant, in making recommendations, should not seek a consensus of management opinion as a method of ensuring managerial acceptance.

Post-evaluation of the consultant is a difficult task; however, if the firm is thorough and objective in its self-evaluation, a good idea of the consultant's competence will be uncovered in the course of doing so.

The approach used in this thesis has been that, by optimizing the methods used in developing client-consultant relationships, the client is likely to be able to ensure that the consultant hired is suitable for the job. But the fact that the firm has used a formal, systematic and explicit process in developing the client-consultant relationship would also suggest that the evaluation procedure is aided by being able to thoroughly check each stage in that development. This should be done, and a helpful item is Appendix V, a list of questions that need to be asked.

SUMMARY OF THIS CHAPTER

In this chapter, a four-step prescriptive model for optimizing the development of the client-consultant relationship is presented. The approach lays down certain principles which should be invoked in deciding on whether to use an external management consultant, and a process of client-consultant relationship development which substantially improves the chances for a successful project. The

process also reduces the influence of factors which tend to be detrimental to project success. As the procedure is formal and explicit, it therefore provides an adequate framework for post-evaluation of both the project and the consultant.

CONCLUSION

This thesis prescribed an approach that can be used in the optimization of all client-consultant relationships. By implication, it suggests that there are areas where a consultant can make a meaningful contribution to the industrial marketer's advice needs if the proper approach is used. This is the main conclusion of the thesis.

The problems relating to the decision of whether to use external consultants in the industrial marketing research field, and those of selecting, working with and evaluating them are diverse and complex. These problems have been identified by studying the supply and demand characteristics of information and advice in the thesis.

The factors influencing advice demand are both intrinsic and extrinsic. In the first group, influence depends on the efficiency of the internal marketing information system. Where the system is unable to supply project information and the interpretation of it, an advice demand occurs. The extrinsic factors are important, particularly with a view to implementation of recommendations, and

include the influence of corporate politics and the credibility of project information.

The meaningful supply of external advice is predicated on the consultant's understanding of the project problem, including how it is to be integrated into the corporate systems, as well as on his competence. The selection and briefing of the consultant are therefore critical aspects in determining the success of the project.

The objectives of this thesis have been adequately achieved. A model for optimizing client-consultant relationships has been developed which will maximize the chances of success and minimize the difficulties involved.

APPENDIX I

ASSOCIATION OF CONSULTING MANAGEMENT ENGINEERS
STANDARDS OF PROFESSIONAL CONDUCT AND PRACTICE

I - CODE OF PROFESSIONAL RESPONSIBILITY

1. Basic Client Responsibilities

1.1 We will at all times place the interests of clients ahead of our own and serve them with integrity, competence, and independence.

We will assume an independent position with the client, making certain that our advice to clients is based on impartial consideration of all pertinent facts and responsible opinions.

1.2 We will guard as confidential all information concerning the affairs of our clients that we gather during the course of professional engagements; and we will not take personal, financial, or other advantage of material or inside information coming to our attention as a result of our professional relationship with clients; nor will we provide the basis on which others might take such advantage. Observance of the ethical obligation of the management consulting firm to hold inviolate the confidence of its clients not only facilitates the full development of facts essential to effective solution of the problem but also encourages clients to seek needed help on sensitive problems.

1.3 We will serve two or more competing clients on sensitive problems only with their prior knowledge and consent.

1.4 We will inform clients of any relationships, circumstances, or interests that might influence our judgment or the objectivity of our services either before the engagement begins, or when discovered while the engagement is underway.

2. Client Arrangements

2.1 We will present our qualifications for serving a client solely in terms of our competence, experience, and standing, and we will not guarantee any specific result, such as amount of cost reduction or profit increase.

2.2 We will accept only those engagements we are qualified to undertake and which we believe will provide real benefits to clients. We will assign personnel qualified by knowledge, experience and character to give effective service in analyzing and solving the particular problem or problems involved. We will carry out each engagement under the direction of a principal of the firm who is responsible for its successful completion.

2.3 We will not accept an engagement of such limited scope that we cannot serve the client effectively.

2.4 We will, before accepting an engagement, confer with the client or prospective client in sufficient detail and gather sufficient facts to gain an adequate understanding of the problem, the scope of study needed to solve it, and the possible benefits that may accrue to the client. The preliminary exploration will be conducted confidentially on terms and conditions agreed upon by the member and the prospective client. Extended preliminary or problem-defining surveys for prospective clients will be made only on a fully compensated fee basis.

2.5 We will, except for those cases where special client relationships make it unnecessary, make certain that the client receives a written proposal that outlines the objectives, scope, and, where possible, the estimated fee or fee basis for the proposed service or engagement. We will discuss with the client any important changes in the nature, scope, timing, or other aspects of the engagement and obtain the client's agreement to such changes before taking action on them--and unless the circumstances make it unnecessary, we will confirm these changes in writing.

2.6 We will perform each engagement on an individual basis and develop recommendations designed specifically to meet the particular requirements of the client situation. Our objective in each client engagement is to develop solutions that are realistic and practical and that can be implemented promptly and economically. Our professional staffs are prepared to assist, to whatever extent desired, with the implementation of approved recommendations.

2.7 We will not serve a client under terms or conditions that might impair our objectivity, independence, or integrity; and we will reserve the right to withdraw if conditions beyond our control develop to interfere with the successful conduct of the engagement.

2.8 We will acquaint client personnel with the principles, methods, and techniques applied, so that the improvements suggested or installed may be properly managed and continued after completion of the engagement.

2.9 We will maintain continuity of understanding and knowledge of clients' problems and the work that has been done to solve them by maintaining appropriate files of reports submitted to clients. These are protected against unauthorized access and supported by files of working papers, consultants' log-books, and similar recorded data.

2.10 We will not accept an engagement for a client while another management consulting firm is serving that client unless we are assured, and can satisfy ourselves, that there will be no conflict between the two engagements. We will not endeavor to displace another management consulting firm or individual consultant once we have knowledge that the client has made a commitment to the other consultant.

2.11 We will review the work of another management consulting firm or individual consultant for the same client, only with the knowledge of such consultant, unless such consultant's work which is subject to review has been

finished or terminated. However, even though the other consultant's work has been finished or terminated, it is a matter of common courtesy to let the consulting firm or individual know that his work is being reviewed.

3. Client Fees

3.1 We will charge reasonable fees which are commensurate with the nature of services performed and the responsibility assumed. An excessive charge abuses the professional relationship and discourages the public from utilizing the services of management consultants. On the other hand, adequate compensation is necessary in order to enable the management consulting firm to serve clients effectively and to preserve the integrity and independence of the profession. Determination of the reasonableness of a fee requires consideration of many factors, including the nature of the services performed; the time required; the consulting firm's experience, ability and reputation; the degree of responsibility assumed; and the benefits that accrue to the client. Wherever feasible, we will agree with the client in advance on the fee or fee basis.

3.2 We will not render or offer professional services for which the fees are contingent on reduction in costs, increase in profits, or any other specific result.

3.3 We will neither accept nor pay to any other individuals or organizations, fees, commissions or other forms of remuneration for client referrals. Also, we will not tender any form of monetary inducement or fees for alleged services to secure or retain consulting assignments to private persons, public officials, their agents or representatives, or firms which they hold interest in or control. Nor will we accept fees, commissions, or other valuable consideration from individuals or organizations whose equipment, supplies, or services we might recommend in

the course of our services to clients. Nor will we enter into any agreement for franchising our practice to others.

II - PROFESSIONAL PRACTICES

In order to promote highest quality of performance in the practice of management consulting, ACME has developed the following standards of good practice for the guidance of the profession. Member firms subscribe to these practices because they make for equitable and satisfactory client relationships and contribute to success in management consulting.

1. We will strive continually to advance and protect the standards of the management consulting profession. We will strive continually to improve our knowledge, skills, and techniques, and will make available to our clients the benefits of our professional attainments.

2. We recognize our responsibilities to the public interest and to our profession to contribute to the development and understanding of better ways to manage the various formal institutions in our society. By reason of education, experience, and broad contact with management problems in a variety of institutions, management consultants are especially qualified to recognize opportunities for improving managerial and operating processes; and they have the obligation to share their knowledge with managers and their colleagues in the profession.

3. We recognize our responsibility to the profession to share with our colleagues the methods and techniques we utilize in serving clients. But we will not knowingly, without their permission, use proprietary data, procedures, materials, or techniques that other management consultants have developed but not released for public use.

4. We will not make offers of employment to consultants on the staffs of other consulting firms without first informing them. We will not engage in wholesale or mass recruiting of consultants from other consulting firms. If we are approached by consultants of other consulting firms regarding employment in our firm or in that of a client, we will handle each situation in a way that will be fair to the consultant and his firm.

5. We will not make offers of employment to employees of clients. If we are approached by employees of clients regarding employment in our firm or that of another client, we will make certain that we have our clients' consent before entering into any negotiations with employees.

6. We will continually evaluate the quality of work done by our staff to insure, insofar as possible, that all of our engagements are conducted in a competent manner.

7. We will endeavor to provide opportunity for the professional development of those men who enter the profession, by assisting them to acquire a full understanding of the functions, duties, and responsibilities of management consultants, and to keep up with significant advances in their areas of practice.

8. We will administer the internal and external affairs of our firm in the best interests of the profession at all times.

9. We will not advertise our services in self-laudatory, exaggerated or misleading language or in any other manner derogatory to the dignity of the profession.

10. We will respect the professional reputation and practice of other management consultants. This does not remove the moral obligation to expose unethical conduct of fellow members of the profession to the proper authorities.

11. We will strive to broaden public understanding and enhance public regard and confidence in the management consulting profession, so that management consultants can

perform their proper function in society effectively. We will conduct ourselves so as to reflect credit on the profession and to inspire the confidence, respect, and trust of clients and the public. In the course of our practice, we will strive to maintain a wholly professional attitude toward those we serve, toward those who assist us in our practice, toward our fellow consultants, toward the members of other professions, and the practitioners of allied arts and sciences.

Adopted February 1, 1972

Questions about interpretations or Code violations should be sent to:

Executive Director
Association of Consulting Management Engineers, Inc.
347 Madison Avenue
New York, New York 10017
212/686-7338

Quoted from Directory of
Membership and Services,
1977.

APPENDIX II

KEY QUESTIONS TO ASK IN APPRAISING SURVEYS

These criteria were developed by a subcommittee of the committee on research of the American Association of Advertising Agencies (AAAA). They are reproduced in full below by special permission of the Advertising Research Foundation, Inc.

1. Under what conditions was the study made?

A statement of the methods employed should be made available in such detail that the study could be duplicated therefrom. In addition to the information revealed in answer to questions 2 through 8, the report should provide:

- a. Full statement of problems to be resolved in the study.
- b. Who financed it.
- c. Names of organizations participating in the study, together with their qualifications and extent of their interest, if any, in the findings.
- d. Exact period of time covered in collection of data, with a statement as to the representativeness of the time period regarding subjects surveyed.
- e. Date of publication of the report.
- f. Definition of terms used.
- g. Copies of questionnaires and instructions to interviewers.
- h. Sources of collateral data.
- i. Complete statement of methodology to be issued concurrently with findings.

2. Has the questionnaire been well designed?

The questions must clearly convey their meaning uniformly to all, without suggesting answers either by their context or sequence. Unreasonable demands on the memory or on the actual knowledge of the respondent should not be made. Responses to simple "why" questions are often inaccurate and to "why not" questions, even more so. Diversification of subject matter tends to reduce the interest bias.

The phrasing should avoid, or compensate for, a choice of responses which would reflect such influences as prestige, embarrassment, reward or retaliation. "Usually or regularly buy or read" questions maximize such biases. Individuals should answer only for themselves.

Monotonous questioning induces antagonism. Lengthy questioning may induce fatigue and cause incomplete responses. If the questionnaire was one of several completed at the same time with a single respondent, the total content of the interview must be revealed to indicate any conditioning induced by questions preceding the questions involved in the study. Limiting of space for replies limits the completeness of the answers. Repeat interviewing may also condition the response. To check on internal consistency of response, "catch" questions may be used. The questionnaire should be pilot tested.

3. Has the interviewing been adequately and reliably done?

Usually a questionnaire form will be used; the interviewer must be well acquainted with it and with the prescribed interview procedure. Where no form is used, the interviewer must have greater maturity, training and experience; where extended interviews on attitudes are involved, special reporting means such as a tape recorder may well be required. Per interview compensation usually leads to lower quality interviewing; full-time interviewers

generally provide more satisfactory work than do part-time interviewers. Unsuitable, ill-trained or irresponsible interviewers are not justified by economy. Even experienced interviewers should be trained and instructed for each survey's problems.

Only interviewers who can be compatible with respondents should be employed, because good rapport must be established. If the sampling plan does not specifically designate those to be interviewed, a bias is often introduced by the interviewer's picking respondents who tend to be like rather than unlike himself. The interviewer should be able to influence the progress of the interview, but must not influence the answers; it is often desirable that the interviewer not know the main purpose of the survey. The identity of the sponsor should not be known to the interviewer nor, least of all, to the respondent.

Not only should spot checks be made of the total interviews, but interviewer by interviewer comparisons should be made as well. More complete checking, to the extent of partially repeating the interview, is required if quota sampling was employed. The interviewing process should be pilot tested. On-the-scene supervisors improve interviewing quality.

4. Has the best sampling plan been followed?

The population being surveyed is most accurately represented when a random sample, in the mathematical sense, is employed. Each unit must have an equal chance or a known relative chance of being included in the sample; listing, enumerating and interviewing in every household in each defined interviewing area are tools for achieving this aim. Stratification and clustering help to make pure area sampling more economical. Disproportionate sampling may be employed to increase sampling reliability in a survey of a

given size, but re-weighting must be employed in tabulating. The laws of probability, permitting calculation of error margins, only apply to truly random sampling, not to quota samples or to samples that are "random" only in an accidental or haphazard sense.

Quota sampling is preferable to accidental sampling, but it is still a matter of judgment as to how effectively various pertinent quotas have been introduced and followed in individual surveys. They should be set so as to maximize the range of coverage, especially by geographic and economic groupings. Consistency with census or other basic data is not in itself proof of sampling representativeness unless it can be proven that the subject being investigated, itself, has perfect random distribution.

Other than in the latter case, there are instances where well-constructed quota samples may be acceptable. The rate of non-cooperation in many surveys, especially of the inventory, panel or continuous type, is so high that it liquidates many of the features of random sampling in the end. Copy testing and other instances where the general, rather than the exact answer, is all that is required lend themselves to well-designed quota samples. In general, **qualitative** in contrast to **quantitative** data can be satisfactorily obtained from quota samples. Where doubt exists, random sampling should be used since this gives the maximum reliability per dollar expended.

5. Has the sampling plan been fully executed?

Substitutions for assigned units destroys a probability sample design. In personal interview surveys, refusals can frequently be overcome by repeat efforts. Not-at-homes, who have characteristics known to be different, should be

brought into the sample by call-backs, or their answers should be estimated by special statistical formulas. If quotas were assigned, they should be fulfilled exactly. In quota sampling, refusals and not-at-homes are not controllable.

In mail surveys, the response as well as the mail-out must be representative. To reduce biases growing out of personal interests and economic factors, which are common in mail surveys with a low rate of return, it is desirable to get as close to 100% return as possible. In telephone surveys, refusals, not-at-homes and busy lines must not be ignored.

6. Is the sample large enough?

If a probability sample is properly designed and executed, the reliability of its results can be estimated mathematically. Breakdown data should have a large enough numerical base to keep their larger error margins within usable limits.

The desired degree of reliability should be expressed in the definition of the problem or plan of the study. Increase in sample size does not compensate for deviations from a true probability sample though it may provide a better basis for evaluating the effect of non-response.

If a probability sample is not employed, it is a matter of judgment as to what additional error is introduced as a result of using a non-random sample. The error cannot be measured statistically if the sample is non-random.

7. Was there systematic control of editing, coding and tabulating?

All editing of questionnaires should be completed before any tabulations are made, and a statement to that effect should be made part of the report.

Editing should not involve guessing as to meaning. Where context rather than form is being edited, the same editor should handle specific related sections of all questionnaires. Local supervisors should edit for form and completeness. Directions for editing should be formulated and explained uniformly to all engaged in the process.

In machine tabulations, pre-coding not only saves time and money but catches errors and incompleteness in questionnaire design. If pre-coding is used, a pilot test should be made to develop the codes; if pre-coding is not used, a sample of the completed questionnaires should be examined to establish the codes, especially on open-end questions.

Questionnaires should be numbered serially to guarantee completeness of card punching and as a check against duplicate punching. Pattern or consistency checking of each separate column of the punched-card should be done to verify that only appropriate codes have been punched. Each column or group code should be separately counted to establish the varying base, and to verify that different tables with the same base actually agree.

8. Is the interpretation forthright and logical?

If causal relationship is assigned to one factor, it must be proved that all other factors are held constant or allowance must be made for other variables.

The basic data which underlie percentages, ratios, weighting systems and breakdown groupings of respondents must be shown. Competitive comparisons should be made on the same bases. Since mean averages are often misleading, especially in income studies, the median should also be

examined. Any uncommon mathematical manipulation must be fully explained. Error margins and their reliability should be indicated.

Misplaced emphasis may divert attention from weaknesses in research methods or findings. Complete answers to all questions should be uniformly reported. Interpretation, especially of responses involving memory or prediction of behavior, must not overestimate the ability of an individual to give valid responses.

Small differences, considering statistical error margins, should not be over-emphasized. Charts, tables and text should not be distorted or unduly exaggerated. Simplicity and clarity should be the main objective of the analysis and presentation.

Present the results only for what they are and for what they represent.

Quoted from Crisp, R.D.
Marketing Research, (21)

APPENDIX III

QUOTATION

"There are pros and cons to the employment of specialized agencies. The main advantage of the outside and specialist agency can be summarized under six headings.

1. Objectivity. It is claimed that an outside agency with "no axe to grind" can preserve a far higher degree of objectivity than could possibly be obtained inside a firm where, even with the best will in the world, political pressures are generated and self-aggrandizement inevitably leads to animosity.
2. Anonymity. No company can ethically conduct marketing research on its own behalf while disguising its identity, particularly if its competitors are included in the inquiries. It cannot have recourse to the standard approach of the outside agency which can, and does, refuse to reveal the identity of a research sponsor, but does not disguise the fact that the sponsor is a competitor. When a new product development is under consideration it is usually advisable not to give advance notice to users or competitors of the interest of the firm in the product or industrial sector. Under these circumstances the outside agency has a clear advantage over the internal department.
3. Cross industry experience. Agencies are able to make useful economies by applying the solution of a research problem developed in one industry to that of another. Although it is true that for some very large industrial concerns, cross industry experience in the marketing research department is possible, it

nevertheless rarely covers the same spectrum as that of the independent agency.

4. Specialization. Where an agency makes no claim to cross industry experience, but bases itself upon a narrow specialization it is also possible for a research sponsor to obtain economies, particularly where the specialization is one not possessed by the sponsoring firm. These specializations may be by industry, or may be by techniques. Thus, some agencies concentrate their activities within the chemical or electrical industry. Others devote themselves entirely to the preparation of internal sales analyses or the use of psychological techniques.
5. Cost. There are many circumstances in which it is cheaper to use an outside agency than to undertake the work internally. Superior techniques can lead to economies in operation, but the existence of information on file relative to the research project could enable an agency to complete a project with less time input and interviewing than would be possible for an internal department starting "cold". Both experience and specialization tend to reduce the disadvantage of the agencies' costs as compared with the internal department. However, if truly accurate costing is made of internal research, that is to include more than just time and out of pocket expenses, and making correct allowances for overhead, it will very often be found that there is no real cost advantage to the internal department.
6. Time. Once again, the existence of superior techniques, internal records, permanent interview forces

and contacts can lead to a considerable time advantage in using agencies. This is particularly so when no internal department exists and the marketing research is being carried out as an additional function by some other member of the management team. Very often it is possible for the agency to interlock a project with one that is already taking place and thereby save further time in the total length of the project."

Quoted from Wilson (78)

APPENDIX IV

QUOTATION

"Because of the essentially one-off nature of many industrial marketing research reports, it is a most useful exercise to evaluate the research procedure after each report is completed. It is also useful for the researchers to compile a checklist of questions which can be asked after each survey is completed. An outline list would include the following questions:

- Could the same results have been achieved more cheaply or quickly by other means?
- Could accuracy tolerances have been improved by the adoption of other or additional means?
- Did the later phases of research reveal secondary sources which ought to have been identified in the early stages?
- Would a phased approach have permitted the project to be terminated sooner?
- Was the sampling method satisfactory?
- Was the sample too small or too large?
- Could the sample source lists have been improved?
- Was the analytical technique correct?
- Could the analyses have been carried out more effectively (cost-time) by machine/hand methods?
- Was the research team of the right composition, calibre and background for the tasks they were allotted?
- Were the decision making units correctly identified?
- Did the hypotheses in the original phases prove to be accurate?
- If not, could the inaccuracies have been identified at an earlier moment?
- Were the check lists sufficiently precise. If not, could they have been made more precise at the outset?

A critical examination of the survey method on these and other points will reveal not only methods of improving future research but any basic recurrent weaknesses in the research department and its organization."

Quoted from Wilson,
The Assessment of Industrial Markets (77)

APPENDIX V

SURVEY ENGAGEMENT EVALUATION CRITERIA

"The criteria listed below can be used to evaluate survey engagements which focus on the client's problem and make recommendations for solving it.

1. Were the purpose, scope, general plan of procedure, type of results anticipated, and terms of the engagement clearly defined, preferably in writing, and reviewed with you by the consultant?

2. Was the work to be performed for you carefully planned by the consultant? (Ordinarily, the "plan of study" for a client engagement should include such points as the scope of the project, the anticipated results of the study, the methods to be employed and the approaches to be used in the conduct of the study, supervision and staffing of the engagement, survey time schedule, and type of report to be submitted.)

3. Did the consultant make progress reports to appropriate executives in your organization during the course of the work? Did the professional staff of the consulting organization conduct themselves in a professional manner? Did they show workmanlike performance in the fact-finding and other analytical aspects of the work? Did they demonstrate professional competence, objectivity, and integrity? Did they understand their role as change agents throughout the entire change process?

4. Did the consultant work constructively with your personnel? Did he make constructive use of your personnel during the engagement? If not, was there adequate justification for using his own staff? Was the engagement adequately supervised? Was it carried out with a minimum of disruption in your organization?

5. Did the consultant acquaint your personnel with any principles, methods, skills, or techniques he used or applied, so that the improvements suggested or installed could be properly managed and continued after completion of the engagement? Did he stimulate their thinking and expose them to new ideas?

6. Did the study achieve the purposes of the engagement as set forth in the original proposal and in the engagement plan, or as modified during the course of the work? Were the solutions developed complete, timely, practical, and suited to your specific needs? Was the suggested course of action the most effective and economical from your point of view? Did the recommendations take into account the human element and the ability of the personnel to carry them out? Were the objectives, policies, long-range plans, and other crucial factors of your company given proper consideration in the recommendations?

7. Are you satisfied that the best collective judgment of the consultant and your own executives was incorporated in the recommendations?

8. Were the findings, conclusions, and recommendations explained adequately to your personnel responsible for reviewing, accepting, or implementing them? Were you satisfied with the way these findings and recommendations were reported to your organization?

9. Did the consultant emphasize the importance of carefully planning the implementation or installation of the approved recommendations? Did he maintain close contact with, or help, your organization during the consideration and installation of the recommendations?

10. Was the work accomplished within reasonable time and fee limits? Were the original time and cost estimates realistic? If not, were revisions reasonable and cleared with you in advance?

11. How many recommendations were accepted? How many were rejected? How many modified? Why were some turned down and other adopted? What was the operating impact of the engagement on your organization? What is the overall evaluation by your executives of the value of the consulting engagement?

12. Did the consultant make a post-installation review of the recommended improvements or results of the engagement?

13. Are you satisfied with the performance of your own organization in working with the consultant?

14. Are you and your associates more competent managers as a result of working with the consultant?

15. Would you retain the consultant again if you had need for his kind of professional services?"

Quoted from Shay, How to
Get the Best Results from
Management Consultants (67)

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